ANNUAL REPORT 1999

Building on years of growth

Power Financial Corporation

POWER FINANCIAL CORPORATION

FINANCIAL HIGHLIGHTS

December 31 (in millions of dollars, except per share amounts)	1999	1998
Total revenue	14,424	14,767
Net earnings	834	678
Operating earnings per common share	1.68	1.37
Earnings per common share	2.32	1.87
Dividends per common share	0.60	0.50
Total assets	56,647	58,033
Total assets and assets under administration	131,025	122,491
Shareholders' equity	4,462	4,172
Book value per common share	11.28	10.45
Shares outstanding (in millions)	346.8	346.6

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PROFILE

POWER FINANCIAL CORPORATION HAS SIGNIFICANT INTERESTS IN THE FOLLOWING COMPANIES:

Great-West Lifeco Inc. holds a 100 per cent interest in The Great-West Life Assurance Company, which in turn holds a 100 per cent interest in Great-West Life & Annuity Insurance Company. Great-West also holds a 100 per cent interest in London Insurance Group Inc., which in turn owns a 100 per cent interest in London Life Insurance Company. Total assets and assets under administration of Lifeco and its operating subsidiaries are $87 billion.

Great-West Life & Annuity Insurance Company operates in the United States of America, providing employee benefits for small- to mid-sized businesses and meeting the retirement savings needs of employees in the public/non-profit sector.

The Great-West Life Assurance Company is a Canadian life and health insurance company providing group insurance and disability insurance products and offering a broad selection of insurance and retirement savings and income products, including a range of investment funds.

London Life Insurance Company provides individual life insurance products in Canada and operates internationally through its subsidiaries London Reinsurance Group Inc. and London Life International Corporation.

Investors Group Inc. provides personal financial planning services and related products in Canada with a dedicated sales force of 3,626 representatives. It provides mutual funds, as well as securities services and a wide range of mortgage and insurance products.

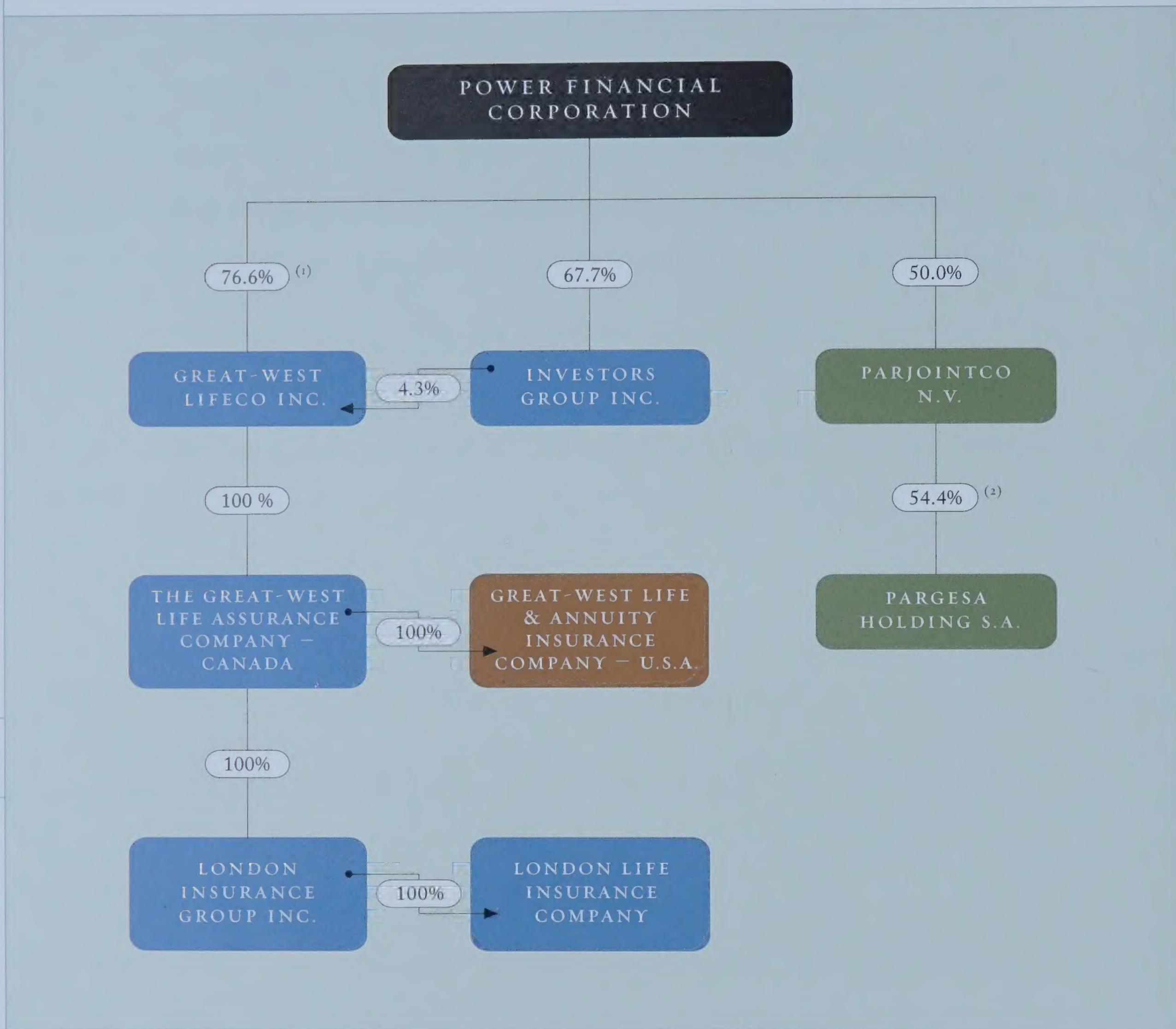
The Pargesa Group holds significant positions in a selected number of large companies based in France, Belgium, Luxembourg, and Switzerland. These companies operate in strategic industries including communications, specialty minerals, utilities and energy.

Internet-based applications and developments are enhancing the ability of companies in the Power Financial group to support their sales forces, service their clients and generally expand their product and distribution reach. Our Internet strategy is rooted in the strong fundamentals of each of our group companies: a low cost structure, competititive and strategically viable distribution channels and value-added products. Like the trees and flowers shown in the pages of this report, the seeds of our companies' fundamentals have been nurtured to develop and grow toward their full potential.

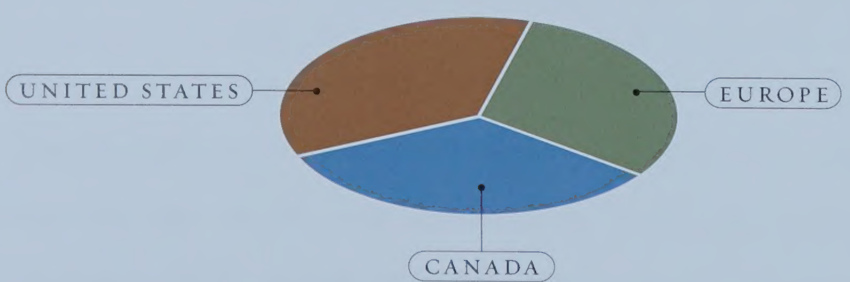
www.powerfinancial.com

Building on a decade of growth attributable to the improvement in the fundamentals of each business unit, the Internet increases the potential for growth in the next decade. Our companies have emerged at the end of the most recent decade much stronger than they were at the beginning by continuously adapting to change and transforming themselves. They will continue to do so.

GROUP ORGANIZATION CHART



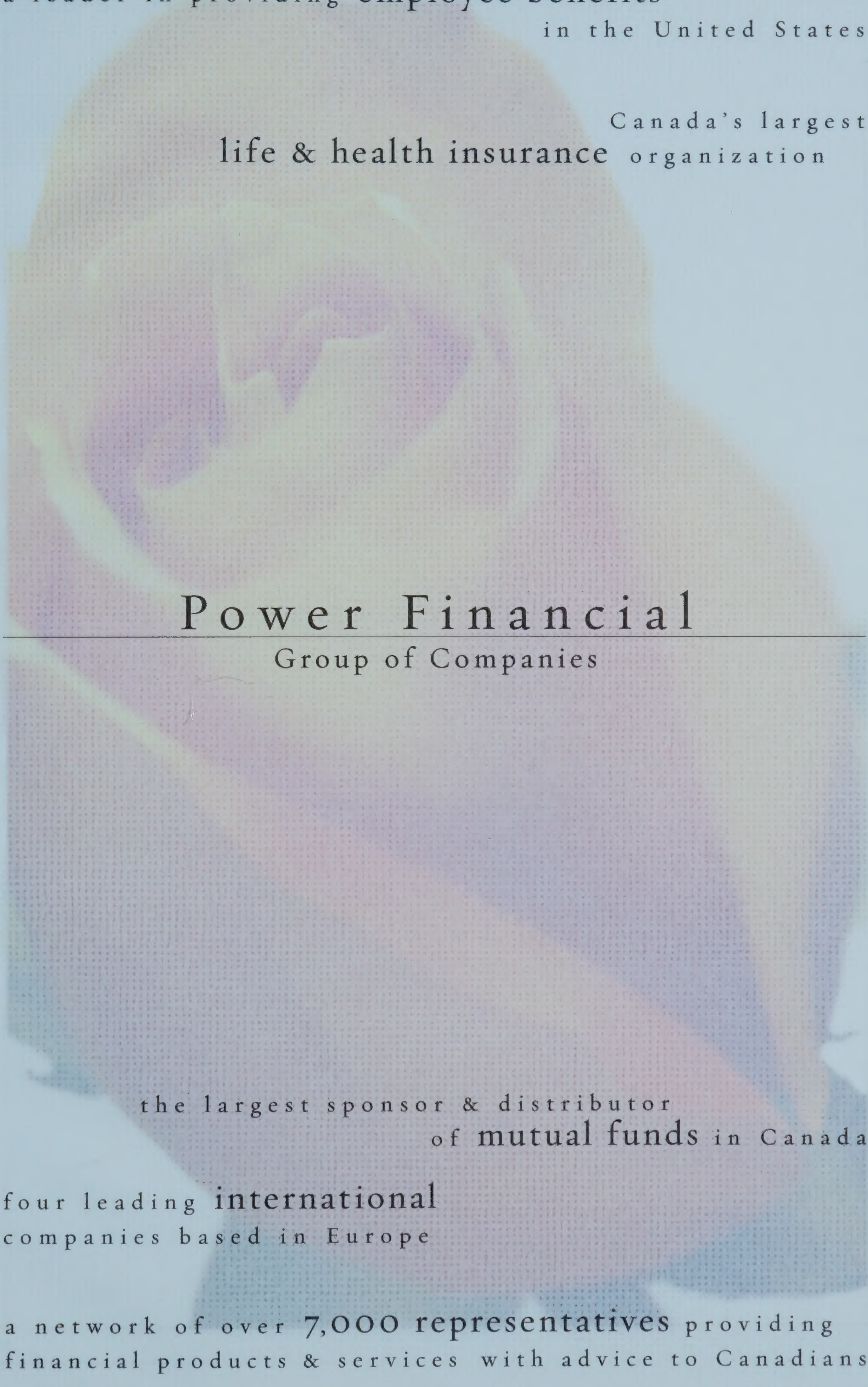
Geographic Distribution of Investments



Above percentages denote participating equity interest in principal subsidiaries and affiliated company as at December 31, 1999.

(1) 65% direct and indirect voting interest

(2) 61.1% voting interest



a leader in providing **employee benefits** in the United States

Canada's largest **life & health insurance** organization

Power Financial

Group of Companies

the largest sponsor & distributor of **mutual funds** in Canada

four leading **international** companies based in Europe

a network of over **7,000 representatives** providing financial products & services with advice to Canadians

Power Financial Corporation is an international holding company.

In the United States, Power Financial's affiliate, Great-West Life & Annuity, is focused on its core business, providing employers with efficient, cost-effective and high-quality employee benefits. Following recent acquisitions, it is the eighth largest publicly owned managed care company in the United States.

In Canada, Great-West Life, London Life and Investors Group comprise the leading sales network for the delivery of financial products and services with advice and with attention to the needs of individual clients. Great-West Life and London Life comprise Canada's largest life and health insurance organization. Investors Group is Canada's largest sponsor and distributor of mutual funds.

In Europe, the Pargesa group includes four prominent operating companies with excellent franchises and prospects for growth: Imerys, CLT-UFA, Totalfina and Suez Lyonnaise des Eaux.

PAUL DESMARAIS, JR.
Chairman of the Board,
Power Financial Corporation

ROBERT GR[illegible]
President and
Chief Executive Officer,
Power Financial Corporation

Power Financial Corporation's consolidated net earnings for 1999 amounted to $834 million, or $2.32 per share, as against $678 million, or $1.87 per share in the prior year, representing an increase of over 24 per cent on a per share basis.

Power Financial's share of operating earnings from its subsidiaries and affiliate increased to $621 million from $514 million in 1998, primarily reflecting significant growth in the earnings of Great-West Lifeco Inc. and Investors Group Inc.

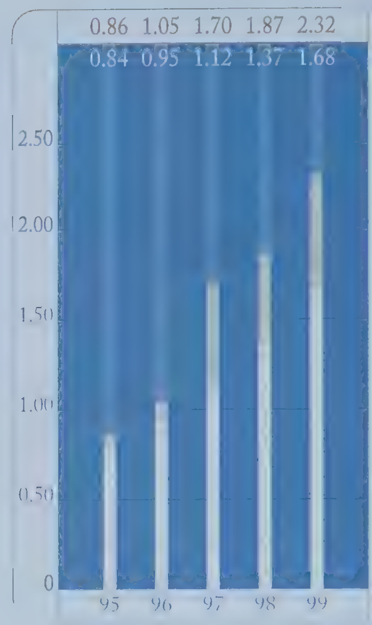
Other operating items, which include income from investments, operating expenses, interest expense, amortization and depreciation, and income taxes, brought the total operating results to $612 million, or $1.68 per share, from $505 million, or $1.37 per share in 1998, ahead by more than 22 per cent on a per share basis.

Other income of a non-recurring nature, which primarily includes capital gains on the disposition of European assets, was $222 million, or $0.64 per share in 1999, as against $173 million, or $0.50 per share in the previous year.

Dividends

Once again the dividend on Power Financial's common shares increased. At the end of 1999, the quarterly dividend rate was 16.50 cents per share, compared with 13.75 cents at the end of 1998. Total dividends declared on common shares amounted to 60.25 cents per share in 1999, compared with 50 cents in 1998, representing an increase of 20.5 per cent.

Dividends paid by the Corporation's subsidiaries and affiliate also increased during 1999. At Great-West Lifeco, the quarterly common share dividend was 14 cents per share at the end of 1999, compared with 11.5 cents per share at the end of 1998. At Investors Group, the quarterly dividend increased from 10.5 cents per share to 13 cents per share during the year. Pargesa Holding increased its annual dividend from SF72 to SF73 per bearer share during 1999.



POWER FINANCIAL CORPORATION

Earnings per share (in dollars)

Other income, net

Operating earnings

North America

Great-West Lifeco again made the largest contribution to Power Financial's profitability in 1999. Lifeco's net income was $569 million, compared with $473 million in 1998, an increase of 20 per cent.

Great-West Lifeco's subsidiary, The Great-West Life Assurance Company ("Great-West"), has reported that net income for 1999 reflects significant increases for both Canadian and United States operations, compared with 1998. Premium income, including self-funded premium equivalents and segregated fund deposits, was up significantly in health insurance, while fee income also increased strongly over 1998.

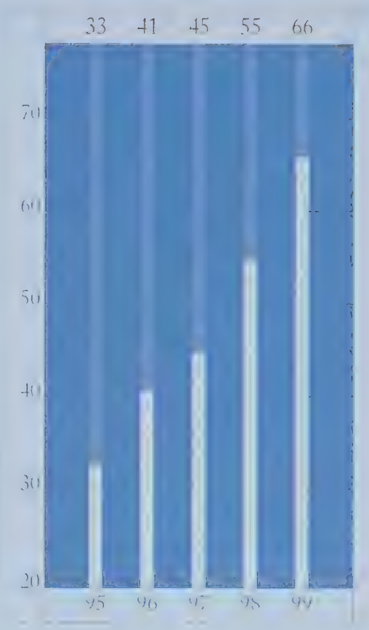
The integration of London Life's and Great-West's operations continued, resulting in significant improvements in the ability of London Life's representatives to sell and to service their clients. Similarly in the United States, the business of Anthem Health & Life was successfully merged into the business of Great-West Life & Annuity Insurance Company.

Great-West Lifeco's return on common equity was 17.1 per cent for the year and has averaged 15.4 per cent over the last five years. This represents an above-average return for the financial services industry.

Investors Group reported net income of $236 million, as against $188 million in 1998, an increase of 25 per cent. This is the eighth consecutive year that Investors Group's earnings have grown by at least 15 per cent.

Assets under management and administration by Investors Group at December 31, 1999 exceeded $43 billion, compared with over $38 billion a year earlier. Mutual fund assets were $40.7 billion at year-end, compared with $36.1 billion a year earlier. Investors Group's redemption rates remained among the lowest in the industry.

Together Great-West Canada, London Life and Investors Group have a sales force of over 7,000 – the largest network in Canada for the delivery of financial products and services with advice.



CORPORATION

Annualized dividend at year-end (in cents per share)

Europe

Power Financial's share of net operating earnings of its European affiliate was $46 million in 1999, the same level as in 1998. In addition, Power Financial recorded Other income of a non-recurring nature of $235 million, primarily in connection with the tender by the Pargesa group of its PetroFina shares to Total, of its Monument Oil and Gas plc shares to Lasmo plc, and the completion of transactions by Imerys (formerly Imétal) and by CLT-UFA.

The Pargesa group's operating affiliates once again reported increases in net operating income: Imerys up 23 per cent, Totalfina up 13 per cent, and Suez Lyonnaise des Eaux up 29 per cent. CLT-UFA recorded a net operating profit of 122 million Euro (C$193 million), compared with a loss in 1998. These increases are offset in Pargesa's net consolidated operating results by changes in the structure of its portfolio. While the group is the largest shareholder of Totalfina and Suez Lyonnaise des Eaux, which represent more than 46 per cent of Pargesa's net asset value as at December 31, 1999, these investments are accounted for on a cost basis meaning that only dividends received are included in the earnings of the Pargesa group.

Once again 1999 was an eventful year for Power Financial and its group companies both in North America and in Europe.

NORTH AMERICA In the United States, Great-West Life & Annuity Insurance Company ("GWL&A") entered into agreements with Allmerica Financial Corporation and General American Life Insurance Company to acquire their group life and health businesses. These agreements remain subject to final regulatory approvals. With over 3.3 million plan members, GWL&A becomes the eighth largest publicly owned managed care company in the United States.

During 1999, Investors Group completed the single largest product expansion in its history. It introduced eight new segregated funds in conjunction with Great-West and expanded its partner funds series by adding eight new funds managed by four new partners – Templeton Management Limited, AGF Funds Inc., Scudder Kemper Investments, Inc., and MAXXUM Fund Management Inc. This brings to 93 the number of funds offered by Investors Group. Its sales force also offers insurance products of Great-West.

During 1999, Lifeco consolidated its holding in Great-West and its subsidiary, London Life. As a result of two separate offers, Lifeco now owns 100 per cent of Great-West's common shares, while London Insurance Group now owns 100 per cent of London Life's common shares. The offers involved 1.8 per cent of London Life's common shares and 0.4 per cent of Great-West's common shares.

EUROPE In May 1999, Imétal completed the acquisition of English China Clays plc ("ECC"), a company listed on the London Stock Exchange, for $1.9 billion. The acquisition made Imétal a major producer of white pigments, including kaolin and calcium carbonate, which are used in the pulp and paper, chemical and ceramic industries. During the second half of the year, Imétal completed the sale of Calgon Corporation, which belonged to ECC, and Copperweld Corporation, the metals processing business, for total gross proceeds of US$1.1 billion. Under its new configuration, the group is now a world leader in value-added industrial minerals. In September, Imétal changed its name to Imerys S.A.

In June 1999, the French company Total completed its public exchange offer for all of the outstanding shares of PetroFina, creating Totalfina. On July 5, Totalfina announced a public

exchange offer for Elf Aquitaine, a major petroleum company also based in France and approximately equal in size to Totalfina. Totalfina acquired 95 per cent of Elf Aquitaine, creating the world's fourth largest oil company. The European Commission approved the transaction in February 2000.

During 1999, Suez Lyonnaise des Eaux continued to develop its core businesses and to pursue international growth. It acquired Nalco Chemical Company and Calgon Corporation (from English China Clays, above) in the United States for US$4.5 billion to become the world leader in water treatment. In the energy and waste management sectors, Suez completed public exchange offers for a total consideration of $13.5 billion, in order to buy out all the minority shareholders of Tractebel and Sita. It also acquired 80 per cent of the capital of Epon N.V., the Netherlands' leading producer of electricity, for $2.5 billion.

During 1999 and early in 2000, CLT-UFA sold a 45 per cent interest in Première, the German pay-TV channel, for $1.3 billion, purchased an additional interest in German free-TV station Vox for $475 million bringing its interest to 74.8 per cent, brought its interest in German television station RTL from 89 to 100 per cent for $350 million, and also bought a further 6.4 per cent in Channel 5 in the United Kingdom and a further 2 per cent in M6 in France. At the end of 1999, GBL announced that it had reached an agreement with certain minority shareholders of Audiofina, the intermediary holding company that jointly controls CLT-UFA, to acquire their interests for $1.5 billion. This transaction will significantly increase the group's interests in the communications sector.

Board of Directors

At their annual meeting, on May 19, 1999, the shareholders elected Mr. Jerry E.A. Nickerson and Dr. Emőke J.E. Szathmáry to the Board of Directors. Mr. Nickerson brings to Power Financial the benefit of many years of experience in Canadian business. He is Chairman of the Board of H.B. Nickerson & Sons Limited. Mr. Nickerson is also on the Board of Directors of Power Corporation of Canada, Great-West Lifeco, Great-West Life, Great-West Life & Annuity Insurance Company, London Insurance Group and London Life Insurance Company. Dr. Szathmáry is a leading Canadian academic and university administrator. She is President and Vice-Chancellor of the University of Manitoba and is a Director of Power Corporation of Canada.

Outlook

Once again the companies in the Power Financial group have provided their shareholders with superior financial results. Your Directors believe that the prospects for future growth of Power Financial's group companies remain most favourable.

In Canada, Great-West, London Life and Investors Group comprise the leading sales network for the delivery of financial products and services with advice and with attention to the needs of individual clients. Great-West and London Life comprise Canada's largest life and health insurance organization with the largest market share in all sectors. Investors Group is Canada's largest sponsor and distributor of mutual funds. In the United States, Great-West Life & Annuity is focused on its core business, providing employers with efficient, cost-effective and high-quality retirement, life and health services for their employees. In Europe, the Pargesa group has been strategically reorganized and is now comprised of four prominent companies with excellent franchises and prospects for continued substantial growth.

The Directors of Power Financial wish to express their appreciation to the officers, employees and representatives of the companies in the Power Financial group for their contribution to the group's success during the past year.

On behalf of the Board,

Paul Desmarais, Jr.
Chairman

Robert Gratton
President and Chief Executive Officer

March 31, 2000

$87,000,000,000

in assets under administration

North America

Great-West Lifeco

net income up

23%

return on equity

17.1%

Great-West Lifeco's U.S. and Canadian subsidiaries are leaders in their fields and serve the financial security needs of over 13 million people. In the United States, Great-West Life & Annuity Insurance Company has grown very substantially, providing employee benefits for small- to mid-sized companies and serving the retirement income needs of employees in the public/non-profit sector.

In Canada, The Great-West Life Assurance Company and London Life Insurance Company comprise Canada's leading life and health insurance organization with the largest market share in all sectors. Great-West Lifeco's return on equity was 17.1 per cent in 1999 and has averaged 15.4 per cent over the latest five years.

President and
Chief Executive Officer,
Great-West Lifeco Inc

Great-West Lifeco Inc. ("Lifeco") is a financial services holding company with interests in the life insurance, health insurance, retirement savings, reinsurance and specialty general insurance businesses, primarily in Canada and the United States. Lifeco holds a 100 per cent voting interest in The Great-West Life Assurance Company ("Great-West").

In Canada, Great-West and its subsidiary, London Life Insurance Company, are leading providers of life insurance, disability insurance, segregated funds and group insurance. Great-West's United States subsidiary, Great-West Life & Annuity Insurance Company ("GWL&A"), is an important provider of managed care and retirement products. The operations and financial results of these companies are discussed elsewhere in this annual report.

Great-West continues to hold superior ratings from six rating agencies, including the Dominion Bond Rating Service and Duff & Phelps Corporation for claims-paying ability; Standard & Poor's Corporation for insurer financial strength; A.M. Best Company for financial condition and operating performance; the Canadian Bond Rating Service for investment strength; and Moody's Investors Service for insurance financial strength.

Lifeco continues to view acquisitions as the best way of supplementing natural growth and to achieve the managed growth necessary to remain competitive in its North American markets. This year, GWL&A expanded its market position in the United States by entering into agreements to acquire the group life and health businesses of Allmerica Financial Corporation and General American Life Insurance Company. Together, these acquisitions will increase the number of Americans enrolled in health care programs managed by GWL&A by over 50 per cent.

Lifeco's Canadian operations continued implementing the integration of London Life's business units, acquired in late 1997. Total Canadian operating expenses including investment expenses declined by 11 per cent or $85 million in 1999. In the two years since the acquisition, total Canadian expenses have declined 19 per cent or $161 million from comparable 1997 levels, exceeding the benchmark for expense synergies of $150 million.

The success of Great-West in realizing the benefits of the 1997 acquisition of London Insurance Group Inc. in Canada and the 1998 acquisition of Anthem Health & Life Insurance Company in the United States (now Alta Health & Life Insurance Company) is reflected in two key performance measures. Lifeco's return on equity, at 17.1 per cent, is an above-average return for the financial services industry. Great-West's Minimum Continuing Capital and Surplus Requirements ratio increased to 210 per cent – a very solid level for the industry – reflecting a combination of operating performance and in-year capital activity.

During the year, Lifeco acquired the minority interests in Great-West and London Life. As a result of two separate offers, Lifeco now directly owns 100 per cent of Great-West's common shares, and indirectly owns 100 per cent of London Life's common shares. The offers involved the acquisition of 1.8 per cent of London Life's common shares and 0.4 per cent of Great-West 's common shares.

Earnings for common shareholders in 1999 grew 23 per cent over 1998, to $1.43 per share, based on significant increases from Lifeco's Canadian and United States operations. Premium income was essentially unchanged over 1998. Growth in health insurance business in the United States was offset by reductions in premiums from the Canadian reinsurance business, which is not unusual given the irregular nature of premiums in this line of business.

Total assets and assets under administration have reached $87 billion, an increase of 5 per cent. Asset growth was fuelled by segregated funds assets, which grew 19 per cent.

Each year since 1994, Lifeco has increased dividends to shareholders. The company was pleased to continue this pattern in 1999, increasing dividends paid by 20 per cent during the year.

serving

4,600,000 American members in health, life and retirement plans

United States

Great-West Life & Annuity

16,000 employers covered

500 sales representatives in all 50 states

Operating in all 50 states, Great-West Life & Annuity has over 500 sales representatives. More than 16,000 employers look to GWL&A to provide benefits for their employees. The Employee Benefits Division has 307,000 health providers and 2,660 facilities in its health care network. In addition, it serves over half a million 401(k) plan

members. The Financial Services Division offers investment and administration products and services to over 3,200 employers in the public/non-profit market and the small group market, as well as individual insurance and annuities through banks and investment dealers.

President and
Chief Executive Officer,
Great-West – United States

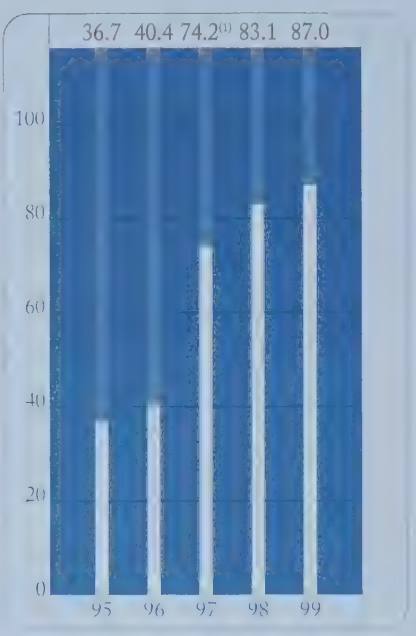
Great-West Life & Annuity Insurance Company ("GWL&A") is a wholly owned subsidiary of Great-West, and is domiciled in the state of Colorado. The major business divisions of GWL&A are Employee Benefits, providing life, health, dental, disability insurance and 401(k) products for small- to mid-sized corporate employers; and Financial Services, providing accumulation and payout annuity products for both group and individual clients, as well as life insurance products for individual clients. As a result, the company now serves some 4.6 million Americans through its health, life and retirement plans.

Overall, net income from United States operations of Great-West in 1999 was $321 million, up from $264 million in 1998. Net income attributable to common shareholders was $321 million in 1999, compared with $256 million in 1998.

Employee Benefits

The Employee Benefits Division serves more than 12,800 employers. The Division focuses its efforts on four key initiatives: differentiating products and services to meet the needs of small- to mid-sized businesses, improving the health of members and the quality of member care, providing responsive service and expanding its market presence through acquisitions.

The acquisition of Alta Health & Life in 1998 together with the acquisition of the group life and health businesses of Allmerica Financial Corporation and General American Life Insurance Company in 1999 are expected to bring to 3.3 million the number of persons covered by GWL&A life and health plans, and the company will become the eighth largest publicly owned managed care company in the United States. GWL&A is one of the largest 401(k) providers to the very important and growing small group market in the United States. In 1999, Employee Benefits revamped its entire product portfolio. The Division introduced a new, simplified funding arrangement for health care customers, featuring convenient monthly payments. Employers can now budget for predictable health care expenses each month and participate in the claims experience of the plan. The Division also introduced a new 401(k) product line, new rating system and variable and non-variable pricing choices. These changes offer customers a greater choice of retail funds and flexible pricing. These include a brokerage window, which gives investors access to more than 1,700 mutual funds – an attractive feature for the more sophisticated investor.



GREAT-WEST LIFECO IN

Total assets and assets under administration (in billions of dollars)

(1) *The 1997 increase includes the effect of the London Insurance Group Inc. acquisition.*

One Health Plan, the company's health maintenance organization subsidiary, enhanced its internal medical review process with the availability of an independent, third-party organization that provides neutral, expert analysis of treatment requests. The company introduced a revolutionary care management program, that allows members with chronic diseases to monitor their health via the Internet and manage their condition through education programs and services offered by One Health Plan. As well, a new managed care customer service model was developed with the goal of creating an advanced medical management program that can be customized to meet the individual health needs of customers.

Shareholder net income before income taxes for Employee Benefits increased 16 per cent in 1999, reflecting increased fee income from the variable 401(k) assets and improved morbidity experience which more than offset unfavourable mortality experience and the increased level of operating expenses.

401(k) premiums and deposits increased 10 per cent from 1998 as a result of higher recurring deposits from existing customers and sales in 1999.

The Financial Services Division experienced significant growth and excellent client retention in 1999 in its three business lines – Public/Non-Profit (P/NP) Market, which provides retirement savings services to government entities, hospitals and school districts; FASCorp, providing recordkeeping and administrative services for defined contribution participant accounts; and Individual Markets, providing individual insurance and annuity products serving both individual and corporate needs, through a select group of institutional partners.

Through its ability to deliver customized solutions for even the most complex plan requirements, and to respond to emerging trends with new products and flexible systems, the company continued building its business in the P/NP Market in 1999.

The addition of a number of major deferred compensation plans, along with increased participation in existing plans, contributed to another strong year. Once again, the P/NP group renewed 100 per cent of its plan sponsor relationships and continues to lead the industry in retention. Part of this customer loyalty comes from initiatives to provide high-quality service while controlling expenses. The company also saw significant increases in usage of its P/NP website for account management. GWL&A is no. 1 in market share in state government-deferred compensation plans.

FASCorp added 250,000 new participants in 1999. The company now provides recordkeeping and administration services for more than 1.5 million accounts. FASCorp has the capacity to customize and brand systems for large plan customers, while offering economies of scale to smaller customers. On the participant side it dramatically enhanced its electronic interfaces during the year, giving individuals faster access to more personal data, and more opportunities to enact transactions on-line. Operating results continued to improve in 1999, and exceeded targets.

The company experienced unparalleled growth in its Individual Markets business in 1999, writing more policies during the year than in the previous six years combined. This reflects its commitment to selling products in these markets through channels where customers have pre-existing relationships, such as banks and brokerages. The company's relationships with Charles Schwab, selected financial institutions and the Clark Bardes Company has led to improved sales and earnings. In particular, 1999 also saw strong sales of bank-owned life insurance through Clark Bardes.

In 1999, the company designed and implemented new Internet sites through which customers can directly access information and customer service, as well as purchase life insurance and annuities. The company also built call centres for life insurance and annuity sales, and life insurance tele-underwriting and annuity customer service, to improve the speed and quality of customer interactions.

Shareholder net operating income before taxes for the Financial Services Division increased 12 per cent in 1999, reflecting higher earnings from an increase in investment margins and additional fee income from new third-party administration cases and growth from strong equity markets. Overall sales for the Division were down five per cent over 1998 levels, largely due to a decline in single premium business.

Investments

As of December 31, 1999, assets under management had increased to $39.0 billion – $21.0 billion of general funds assets and $18.0 billion of segregated funds assets. Over 90 per cent of GWL&A's invested assets are cash, bonds, or policy loans. The overall quality of the bond portfolio, the largest single component of the company's invested assets, remains high, with 99.8 per cent of the bond portfolio rated investment grade. Liquidity is excellent; 62 per cent of the portfolio is held in public instruments.

The segregated funds assets are managed on behalf of the company's institutional and individual clients. Of the $18.0 billion in segregated funds, 59 per cent are managed in-house with the remainder managed by carefully selected third party providers.

Outlook

The company will continue to focus on using technology to transform its business operations and redefine service to customers. New Web services slated for launch in 2000 will offer customers on-line enrollment capabilities, the ability to research claims status, and automated provider referrals, to make managing benefits quick and easy.

Improving the health of plan members is another focus for 2000. A new care management service will be introduced to allow One Health Plan to align its staff of medical professionals with plan members who need a higher degree of medical care. Employee Benefits' disease management programs will be expanded to include cardiovascular disease, now the most common health problem in America. For health care administrators and their employees, an open access plan that gives members greater flexibility in physician selection will be introduced. GWL&A's 401(k) participants will enjoy additional investment advice through a partnership with Financial Engines, a registered investment advisor providing services through the Internet.

Finally, in 2000, new licensed HMOs will be introduced in Kansas, Missouri, and Pennsylvania. With the addition of these states, One Health Plan will have 18 licensed HMOs throughout the United States.

The Financial Services Division will continue to enhance electronic communication services for participants and plan sponsors in 2000 and beyond. As well, the Division will expand its innovative participant education seminar, piloted in 1999, to more government plans.

10,000,000

Canadians served

23,000

employers covered

Canada

Great-West Life Assurance / London Life Insurance

3,500

Great-West and London Life
agents and representatives

24% market share in individual insurance

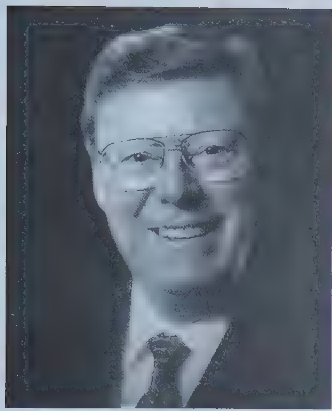
22% in segregated funds for individuals

19% in group life and health 25% in group segregated funds

The 3,500 agents and representatives of Great-West Life and London Life are supported by 300 product specialists and work from over 90 regional offices across the country. In addition, over 3,200 Investors Group sales representatives market Great-West and London Life products and services.

Great-West Group insurance plans cover 8 million Canadians. The companies have over 1.7 million individual life insurance clients with some 2.8 million policies in force.

One Canadian in four is served by Great-West Life/London Life.



RAYMOND [illegible]
President and Chief Executive Officer,
Great-West – Canada and
London Life

Great-West is a leading Canadian financial services company. Together with its subsidiary, London Life Insurance Company, the company offers a broad range of financial security products to individuals and groups through a variety of distribution channels.

Net income for 1999 was $248 million, compared with $209 million for 1998. Net income attributable to common shareholders was $215 million, up from $181 million for 1998. Results were influenced by a combination of reduced operating expenses flowing from integration of Great-West and London Life operations, improved investment results, increased segregated fund fee income, and favourable mortality experience.

Group Insurance Division

Great-West's Group Insurance Division provides a wide range of Group insurance products and services to more than 23,000 employers across Canada covering more than 8 million Canadians. It has a significant presence in all market segments.

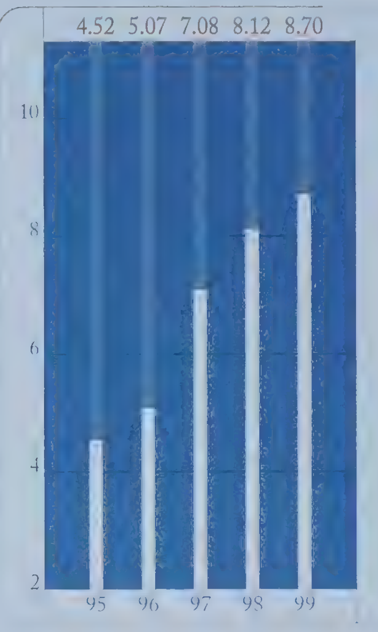
The company successfully completed the integration and conversion of London Life's Group insurance business on schedule in 1999. The persistency rate among converted London Life business was higher than anticipated, reflecting general client acceptance of the conversion process and of the company's products and services. In total, more than 10,000 London Life

Group cases were converted to Great-West administration systems in 1998 and the first half of 1999.

On-line service remains an important focus for the Group Insurance Division. The Division receives 50 per cent of drug claims and 40 per cent of dental claims electronically. Electronic claims submission increased 30 per cent in 1999, to nearly five million claims. As well, Great-West enhanced its ability to electronically transfer information, improving efficiency and the quality of data.

Net operating income before income taxes from this division increased $55 million in 1999. A primary contributor to the improved earnings was expense synergies resulting from the successful integration of London Life's Group insurance business. Productivity gains resulted in a 10 per cent reduction in unit costs.

Sales results were up 22 per cent over 1998, reflecting continued strong sales growth in the target small- and mid-sized client market and significant sales improvement in the administrative services only (ASO) market.



GREAT-WEST LIFECO INC.

Book value per share(1) (in dollars)

(1) Gives effect to the subdivision of the company's common shares effective September 1998

Individual Insurance & Investment Products Division

The Individual Insurance & Investment Products Division provides Great-West and London Life branded products, including life and disability insurance products for individual clients as well as retirement savings and investment products for both group and individual clients.

Overall, this Division's shareholder net operating income before income taxes of $258 million was slightly below the level achieved in 1998, with increases for the life and disability lines of business and a decline for retirement and investment services lines.

INDIVIDUAL INSURANCE Great-West's diversified distribution system gives it a strategic advantage in the Canadian life insurance market. In all, nearly 17,000 brokers, agents and financial representatives market various Great-West products.

In 1999, Great-West launched secure websites targeted to London Life and Great-West representatives. Both these sites serve as one-stop centres for technology and client information, marketing and reference materials, software and industry news. For clients, Great-West launched *Online DI*, a website designed to introduce visitors to the need for disability insurance and the type of products available.

The company rounded out its universal life product offering through an agreement to market a third-party universal life product for the over $500,000 market, and enhanced its universal life products for the under $500,000 market for both Great-West and London Life customers. This contributed to a 73 per cent increase in universal life sales in 1999.

Overall, Individual life insurance sales declined 4 per cent over 1998, in a relatively flat market, while total sales of disability insurance increased by 11 per cent.

RETIREMENT & INVESTMENT SERVICES (R&IS) provides long-term savings and investment products for individuals and employer groups.

In 1999, London Life launched an exclusive family of 20 mutual funds – the LFC Group of Funds™ – through an alliance between Scudder Canada Investors Services Ltd., MAXXUM Fund Management Inc. and Investors Group Inc. As well, Great-West and Mackenzie Financial Corporation launched a series of 38 segregated funds to be distributed through financial planners and investment advisors across Canada. In response to market interest, Great-West introduced optional segregated fund guarantees during the year for its clients.

It also introduced a new retirement product, *Envision*, which is expected to accelerate growth in the group retirement market. Among other features, the product offers the leading Web-based service site in the Canadian group retirement market.

Sales of retirement and investment products, although down over 1998, were strong compared with other large segregated fund carriers and with the mutual fund market in general. Great-West maintained its hold on the leading market position in the segregated funds market, with growth in segregated fund assets of 21 per cent.

Reinsurance and Specialty General Insurance Division

Great-West has identified reinsurance as a core business. The company conducts its reinsurance and specialty general insurance business primarily through London Reinsurance Group, London Guarantee and London Life International, which offer life, property and casualty, accident and health and annuity coinsurance, and specialty general insurance in specific niche markets.

Net operating income before income taxes of $96 million was up $14 million from 1998 levels, due in part to increased income for London Guarantee and an improvement in Asian operations associated with London Life International.

The Investment Division manages the general and segregated funds assets of London Life and Great-West, directly and through its subsidiaries – Great-West Life Investment Management and London Life Investment Management.

New investments in 1999, including reinvestment of maturing assets, were primarily in bonds and mortgages. Investment in government and corporate bonds represented 40 per cent of investment activity, with the total bond portfolio growing by $156 million to $16.6 billion. Federal, provincial and other government securities represented 46 per cent of the bond portfolio, with the balance in corporate bonds. This is consistent with the mix in 1998.

Overall mortgage investments decreased to $7.5 billion from $8.2 billion a year ago, primarily as a result of competitive pricing pressures affecting the company's ability to profitably originate residential loans and retain maturing loans. During 1999, the quality of the company's overall investment portfolio resulted in continued favourable credit experience. Aggregate non-performing mortgage loans declined to $61 million or 0.8 per cent of mortgages at the end of 1999, compared with $78 million or 0.9 per cent of mortgages a year ago.

Outlook

Demutualization captured the headlines in Canada in 1999. Life insurers who are demutualizing are doing so in part to gain strategic advantages Great-West already enjoys. Great-West believes this trend will benefit its policyholders and shareholders over the long term as other participants in its markets are exposed to similar financial expectations. With its strong track record Great-West is well positioned for this new environment.

Great-West's overall Group market share, approximately 19 per cent, represents a significant competitive advantage over its competitors in terms of its ability to produce products and services at low unit costs. With the integration of London Life's business complete, the company will be able to concentrate on sales and service initiatives, including a number of on-line service initiatives that build on technological enhancements already available to its Group customer base.

For Individual Insurance and Investment Products, Great-West sees growth opportunities in two key areas. In the wealth accumulation market, clients are increasingly demanding the kind of services offered by the company's distribution systems. There is also significant growth potential for disability insurance in Canada. With a broad, competitive product portfolio, extensive distribution systems, and strong market share, Great-West is well positioned to participate in this growth.

The company will also develop in two new markets in 2000 with the introduction of a critical illness product and a health and dental benefits plan for individuals and families.

over

$43,000,000,000

in assets under management
& administration

Canada

Investors Group

more than

1,000,000

clients across Canada

3,600

representatives
across the country

93

mutual funds offered

Important to Investors Group's success is its dedicated sales force providing personalized service, from more than 100 offices across the country. These representatives are supported by over 120 specialists providing expertise

in marketing insurance, mortgages and securities. With their backing, Investors' life insurance sales in 1999 exceeded $25 million and mortgage originations were over $1 billion.

H. SANFORD RI[illegible]

President and
Chief Executive Officer.
Investors Group Inc

Investors Group Inc. is Canada's leading provider of personal financial planning services and related products. Over the past decade Investors Group has evolved from focusing solely on mutual funds to providing clients with tailor-made financial solutions. The company is Canada's largest sponsor and distributor of mutual funds as well as a significant provider of a wide range of mortgage and life and health insurance products. Guaranteed investment certificates, annuities and securities services are also offered. Investors Group began offering mutual funds to its clients in 1950. Today it manages over $40.7 billion in assets, invested in 93 mutual funds encompassing many diverse financial markets.

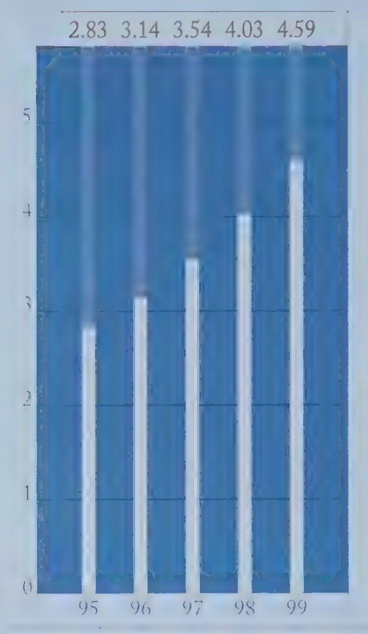
The key factor in the historical success of Investors Group is its dedicated sales force. More than 3,600 men and women in 102 financial planning centres all across Canada deliver Investors Group's services and products to more than 1,000,000 clients. Investors Group's representatives provide financial planning advice to assist individuals to achieve their long-term financial security. They also maintain levels of personalized service that are unmatched in the financial services industry.

During 1999, Investors Group established a new business by merging the mutual fund operations of its wholly owned subsidiary, MAXXUM Fund Management Inc., with Scudder Canada Investor Services Co. to create Scudder Maxxum Co. This business is of

strategic importance to Investors Group because it allows the company to access alternate distribution channels and, in particular, to manufacture investment fund products for exclusive distribution by a network of nearly 2,700 London Life representatives.

Financial Performance

Investors Group's record setting results for 1999 can be attributed to many of the strategic initiatives undertaken over the past several years, as well as the ability of its sales force to deliver strong sales and low redemption rates.



INVESTORS GROUP INC.

Book value per share[1] (in dollars)

(1) Gives effect to the subdivision of Investors Group's common shares effective July 13, 1998

In 1999, the key securities markets continued to rise but with a relatively small number of stocks leading the way. This led to a wider variation in fund performance and volatile market conditions. As a result, mutual fund industry net sales were significantly lower in 1999 than in 1998. However, the Canadian mutual fund industry, as a whole, continued to experience significant growth in assets under administration, which increased by $63 billion to $390 billion, largely as a result of market appreciation. Investors Group achieved record earnings for the ninth straight year as net income increased 25.1 per cent from $188 million to $236 million. This was the eighth consecutive year in which earnings increased by at least 15 per cent. Earnings benefited from an increase in fee income from $856 million in 1998 to $928 million in 1999 and an improving ratio in non-distribution expenses, which declined during the year from 30.0 to 28.0 basis points of average mutual fund assets under management. Mutual fund sales for the year were $5.9 billion compared with $6.3 billion in the prior year. The company's redemption rate (excluding money market funds) for the twelve-month period ended December 31, 1999 was 9.8 per cent, which compared favourably to a rate of 17.4 per cent for all other member funds of the Investment Funds Institute of Canada. Life insurance sales increased by 34.1 per cent from $19 million to $25 million. Insurance in force has grown in 1999 to $18.1 billion compared with $14.5 billion in 1998. Mortgage originations set a new record in 1999 reaching $1.01 billion compared with $959 million in 1998. During 1999, Investors Group's dividends paid per common share increased for the thirteenth consecutive year, increasing 11 cents to 49 cents. The dividend was again increased early in 2000 so that the annualized dividend rate is now 58 cents per share.

Enhancing Its Competitive Position

The financial services sector remains one of the most dynamic in Canada and is continuing to evolve in response to changing demographics and consumer attitudes, new technology and continued deregulation.

Investors Group realizes that in the new consumer dynamic which is developing, it must compete for relationships, not simply for the sale of individual products and services. In a market place now crowded with many participants, the company's traditional strengths continue to set it apart: its financial planning ethic, its emphasis on long-term client relationships, its highly skilled sales force, its strong balance sheet and its 70-year record of leadership within the industry.

Investors Group's strategy continues to be to grow its business by building lasting client relationships. It will continue focusing its efforts on investments in those areas that build and add value to the relationships that its clients have with its representatives and with Investors Group itself. Central to this is the quality, productivity and experience of its team of representatives. At the end of 1999, 57 per cent of Investors Group's 3,626 representatives had at least four years or more of experience in the business, up from 53 per cent in 1998. Complementary to this improvement in experience has been the enhancement of training, which allows Investors Group representatives to keep pace with the increasingly complex task of developing individualized financial programs. Investors Group ensures the quality of its representatives through a rigorous selection process, followed by extensive training. The company's representatives are fully supported through state-of-the-art technology and an extensive network of mortgage, insurance, securities, tax and advanced financial planning specialists.

During 1999, Investors Group completed the single largest product expansion in its history. The company's partner funds allow its clients to access additional investment management from several well-respected firms. This year, it added eight new partner funds managed by four new investment managers with strong performance and well-known brands – Templeton Management Limited, AGF Funds Inc., Scudder Kemper Investments, Inc. and MAXXUM Fund Management Inc. Investors Group's own Master Series™ group of funds was also expanded by six funds, including four 100 per cent RSP eligible international funds providing its clients an innovative way to increase the foreign content of their registered investments. In order to address a growing concern among consumers about increasing volatility within the capital markets, eight segregated funds, offering two levels of principal guarantees from The Great-West Life Assurance Company, were launched over the course of 1999.

Investors Group also expanded its securities services to allow its clients to hold a broader array of products, which led to a strong growth in assets under administration by its securities services subsidiary, rising to $1.5 billion at the end of 1999, compared with $590 million at the end of 1998.

Consumers today have a much greater awareness of financial matters by virtue of easily accessible financial information via the Internet and the media, increased education on the part of the industry, and a continuing demographic march of baby boomers who have reached the age where personal finances are of prime importance. The retail financial services sector continues to undergo a transformation – becoming an industry based on wealth management advisory relationships rather than one driven by discrete products and service offerings. Clients today value specialized financial solutions and yet appreciate the simplicity and confidence of working with one trusted advisor.

In order to meet the growing complexity and scope of their clients' needs, Investors Group is continuously expanding and refining its products and services and enhancing the training and support it provides its representatives. In the year 2000, the company looks forward to expanding its securities services, its managed products for affluent clients, its technology platform exclusive to the sales force, Investors Group AdvantagePlus™, and to offering additional cash management products and services.

Investors Group believes that for the long-term health and credibility of the mutual fund industry, it is imperative that all investors have confidence in the regulatory system which governs the conduct of their industry. The company supports the newly created Mutual Fund Dealers Association of Canada, which is charged with establishing and regulating appropriate standards for the industry and the protection of the consumer. The company also believes that the industry must do more to demonstrate its commitment to the interests of consumers. Investors Group continues to recommend the establishment of high professional standards that will apply equally to all industry participants.

Strong growth in the financial services sector continued throughout 1999 and analysts forecast that this will continue well into the present decade. This view is supported by positive trends for the industry such as the shift to long-term investments brought on by lower interest rates, increasing ease of investment, concern over the adequacy of government-sponsored pension plans and changing demographics. Investors Group will continue to adapt and evolve to take advantage of the opportunities created by this growth while retaining the core values and traditional strengths that have served it so well in the past. The record results of 1999 are indicative that the progress made by Investors Group has laid the foundation for a very promising future.

4 major international operating companies

Europe

The Pargesa group

operating in over 120 countries

over 300,000 employees

The Pargesa group controls Imerys S.A., a major international industrial minerals producer. The group holds 50 per cent of CLT-UFA Holding, the largest television and radio organization in Europe. In addition, the Pargesa group is the largest single shareholder in Totalfina, which,

following its merger with Elf Aquitaine, will be the world's fourth-largest petroleum company, and in Suez Lyonnaise des Eaux, one of the world's largest international infrastructure and utility groups. Pargesa Holding S.A. is controlled by Parjointco N.V., in which Power Financial holds a 50 per cent interest.

MEURINNE

Managing Director,
Pargesa Holding S.A.,
Managing Director,
Orior Holding S.A. and
Chairman of the
Supervisory Board, Imerys S.A.

Power Financial Europe B.V

Power Financial Europe B.V. ("PFE"), which has its headquarters in Rotterdam, the Netherlands, is a wholly owned subsidiary of Power Financial Corporation. Its main investment is a 50 per cent interest in Parjointco N.V. As at December 31, 1999, PFE had cash holdings of $105 million.

Parjointco N.V.

Power Financial Corporation and the Frère group of Belgium each hold a 50 per cent interest in Parjointco N.V., a Netherlands-based holding company. Its shareholders' equity exceeded $2.5 billion as at December 31, 1999. Parjointco's principal holding is a 54.4 per cent equity interest, representing 61.1 per cent of the voting shares of Pargesa Holding S.A. ("Pargesa"), the Pargesa's group parent company, which is based in Geneva, Switzerland.

Pargesa Holding S.A

As at December 31, 1999, Pargesa had a 49.3 per cent equity interest (51.9 per cent voting interest) in Groupe Bruxelles Lambert S.A. ("GBL"). Pargesa and GBL together held a 52.7 per cent interest in Imerys S.A. while Pargesa also held 85.9 per cent of Orior Holding S.A. At that date, Pargesa had shareholders' equity of $4.6 billion.

Groupe Bruxelles Lambert S.A.

In addition to its joint interest with Pargesa in Imerys, a world leader in value-added minerals, GBL, through intermediate holding companies over which it has control, has interests in three leading European companies active in public utilities (Suez Lyonnaise des Eaux), energy (Totalfina) and communications (CLT-UFA). As at December 31, 1999, GBL, which has its headquarters in Brussels, had shareholders' equity of $4.8 billion.

Orior Holding S.A.

Orior's main assets consist primarily of companies which are market leaders in the food industry in Switzerland. These holdings are concentrated in the fresh and frozen products sector and include companies that produce natural ham, salami, terrines and pâtés, pre-cooked poultry products, fresh pasta and pre-cooked products. As at December 31, 1999, Orior's shareholders' equity was $152 million.

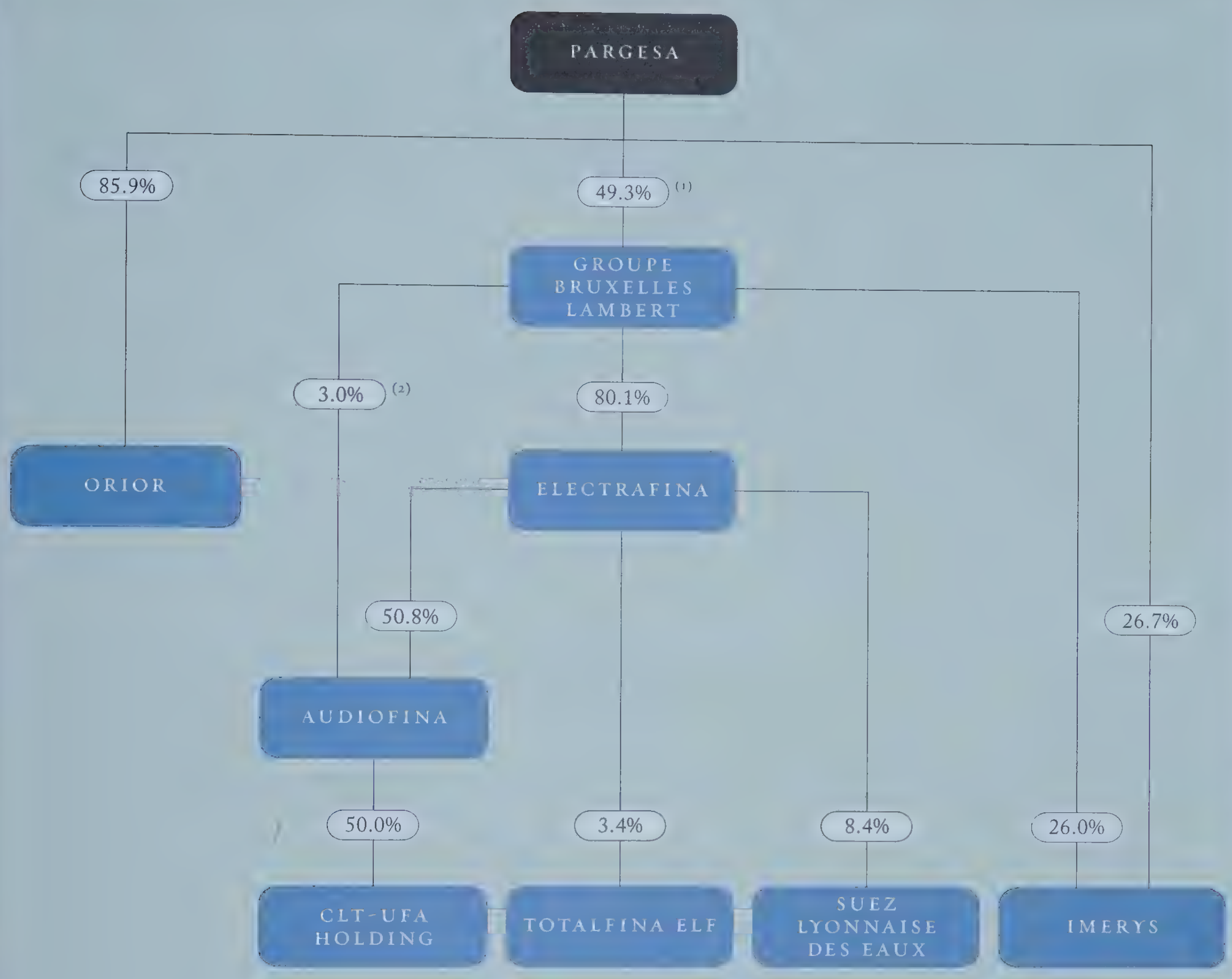
Highlights

During recent years, the group completed its disinvestment from the banking and financial sectors and accelerated its sale of non-strategic interests.

Using the cash proceeds generated from this activity and other financings, the Pargesa group is now turning its attention to focusing on its main holdings, simplifying and consolidating its own financial structure and seeking new investment opportunities. As at December 31, 1999, the four main holdings of the group, Imerys, CLT-UFA (Audiofina), Suez Lyonnaise des Eaux and Totalfina, represented over 90 per cent of the net asset value of Pargesa.

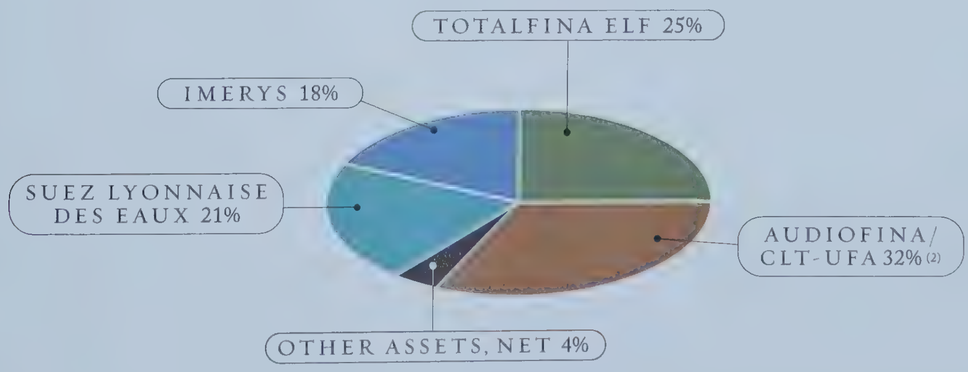
In keeping with this strategy, the Pargesa group and its four principal operating companies initiated several important transactions in 1999 and early 2000.

In May 1999, Imétal completed the acquisition of English China Clays plc ("ECC"), a company listed on the London Stock Exchange, for $1.9 billion. The acquisition made Imétal a major producer of white pigments, including kaolin and calcium carbonate, which are used in the pulp and paper, chemical and ceramic industries. During the second half of the year, Imétal completed the sale of Calgon Corporation, a water treatment business not considered strategic for the group and which had belonged to ECC, and also sold its controlling interest in Copperweld Corporation, the metals processing company, for total gross proceeds of US$1.1 billion. Under its new configuration, this group is now a world leader in value-added minerals and, late in September, changed its name to Imerys.



Percentages denote cumulative interests in participating equity held by subsidiaries and affiliates of Pargesa Holding as at December 31, 1999.

Distribution of Pargesa's Assets as at December 31, 1999



(1) 51.9% voting rights

(2) At the end of 1999, the GBL group entered into agreements to buy out certain minority shareholders of Audiofina, which would result in an increase in the group's control over this company.

During the first half of 1999, CLT-UFA sold a 45 per cent interest in Première, the German pay-TV channel, for $1.3 billion in order to concentrate in Europe on free-TV, radio, program content, broadcasting rights distribution, and Internet services; it retains a five per cent interest. In December 1999, the group entered into an agreement with News Corporation to purchase its 49.9 per cent stake in German free-TV station Vox for $475 million bringing CLT-UFA's interest to 74.8 per cent. In February 2000, CLT-UFA brought its participation in German television station RTL from 89 to 100 per cent for $350 million. At the end of 1999, the Pargesa group concluded agreements with minority shareholders of Audiofina, the intermediary holding company which jointly controls CLT-UFA, to purchase over time their interests for $1.5 billion. As at December 31, 1999, if all the options related to these agreements were exercised, the interest of the group in Audiofina would have been 78 per cent. In January and February 2000, the GBL group sold approximately five per cent of Audiofina shares in order to increase stock market liquidity.

In June 1999, the French company Total S.A. completed its public exchange offer for all of the outstanding shares of PetroFina S.A. in order to create Totalfina. On July 5, Totalfina announced a new public exchange offer for Elf Aquitaine, an oil group also based in France, which will nearly double the size of Totalfina. Following this transaction, in October 1999, Totalfina held 95 per cent of Elf Aquitaine. In February 2000, the European Commission approved the transaction, creating the world's fourth largest oil company. The Pargesa group, which held 22.6 per cent of the capital of PetroFina at the end of 1998, is the largest shareholder of the new entity with 3.4 per cent.

In 1999, Suez Lyonnaise des Eaux continued to develop its core businesses and to pursue international growth. In the water sector, Suez acquired Nalco Chemical Company and Calgon Corporation in the United States to become the world leader in water treatment. It also bought out the minority shareholders of United Water Resources Inc., in which it held a 33 per cent interest. These transactions involved an investment of over US$5 billion. In the energy and waste management sectors, Suez completed public exchange offers for a total consideration of $13.5 billion with the minority shareholders of both Tractebel S.A and Sita in order to obtain a 100 per cent share interest in each. Suez also acquired 80 per cent of the capital of Epon N.V., the Netherlands' leading producer of electricity, for $2.5 billion. The Pargesa group's equity interest in Suez decreased during 1999 from 10.7 per cent to 8.4 per cent after these transactions, which were partly paid in shares. At the end of the year, with 13.9 per cent of the voting rights, the group is still the largest single shareholder of Suez.

In June 1999, the Pargesa group tendered its 26.2 per cent interest in Monument Oil and Gas plc in the United Kingdom in response to a friendly take over bid by Lasmo plc, also of the

United Kingdom. This transaction resulted in an implied value for the Pargesa group's interest in Monument of some $350 million. Following this transaction, the Pargesa group holds 7.4 per cent of the capital of the new entity.

In October 1999, Pargesa acquired a 5 per cent interest in the French company Rhodia S.A. for $258 million. Rhodia, a spin-off by the pharmaceutical company Rhône-Poulenc, is a leader in specialty chemicals with sales in 1999 of $8.7 billion, more than 100 plants and 23,500 employees.

Imerys S.A.

In 1999, the Imerys group became a world leader in value-added minerals after the acquisition of English China Clays plc and after disposing of its metals processing business. With a work force of 12,600 employees, Imerys posted annual sales of over $4.1 billion (including $920 million in sales in business units which have been divested), with a geographical breakdown of 44 per cent in North America, 21 per cent in France, 25 per cent in the rest of Europe and 10 per cent elsewhere in the world.

With substantial mineral reserves and sophisticated processing, Imerys produces essential technical products for a diversified clientele. The corporation holds leading market positions in each of its four main businesses: pigments and additives, building materials, refractories, ceramics and specialties. In particular, the group is a world leader in the white pigments for paper products, minerals for refractories and high purity graphite markets; a world leading producer of raw materials and ceramics bodies for tableware and sanitary ware; and a leader in France in the terracotta tile and brick markets.

THE PIGMENTS AND ADDITIVES DIVISION, which has annual sales of $1.4 billion, owns mineral reserves and processing facilities located mainly in the United States, in the United Kingdom and in Brazil. From its mineral reserves, Imerys produces kaolin and calcium carbonate. These pigments are indispensable natural component materials for the paper industry but also for numerous other products including paints, plastics, and adhesives. They allow for a reduction in the cost of finished products improving resistance, density and aesthetics. In the kaolin sector in Brazil, a country known world-wide for the purity of its deposits, the group increased its participation from 47 per cent to nearly 100 per cent in the RCC project.

THE BUILDING MATERIALS DIVISION, which has annual sales of $795 million, produces and distributes roofing and residential building products, including terracotta tiles, chimney blocks, and natural slates for roofs, as well as bricks and other terracotta products for the construction of walls and panels. These products are used in new construction and home renovation. They are sold in Europe, primarily in France.

THE REFRACTORIES DIVISION, which has annual sales of $615 million, produces minerals for heat- and corrosion-resistant refractory products. It is a world leader in this specialized field. It is also a leading European producer of monolithic refractories.

THE CERAMICS AND SPECIALTIES DIVISION has annual sales of $435 million. The ceramics produced by the Imerys group are used in the crockery, floor tile, and sanitary ware industries. With an international reputation for quality, the group's natural and synthetic graphite is a component of many industrial products.

CLT-UFA S.A.

Luxembourg-based CLT-UFA is the largest radio and television company in Europe with sales in the order of $5 billion. It holds interests in 22 general-interest and specialized television channels and 18 radio stations in 9 European countries, and is also involved in the acquisition and distribution of audiovisual rights and program production. The group is actively developing services on the Internet, drawing on the reputation of the trademarks, content, promotion and audiences of its various television channels and radio stations.

In Germany, the largest market in Europe, the group owns RTL Television, which ranks first in that country in audience share and in revenues. It is the largest commercial broadcaster in Europe. CLT-UFA also holds a major interest in RTL II, which focuses on providing a choice of films and entertainment targeting viewers under 50. Jointly with the Walt Disney Company, the group controls Super RTL, which offers programs for children and family entertainment. In December 1999, CLT-UFA announced that it had entered into an agreement with News Corporation to purchase the latter's 49.9 per cent holding in the German television station Vox for nearly $475 million, bringing CLT-UFA's interest to 74.8 per cent. In addition, CLT-UFA has some investments in eight radio stations in Germany and operates the RTL website, one of the most visited websites in the country.

In France, radio station RTL has had the largest audience share for more than 16 years. In recent years, its television channel M6 has had the fastest growing audience share of all TV channels in the country.

In the Netherlands, three complementary TV channels, RTL4, RTL5 and Veronica, are grouped under the HMG banner. HMG is 65 per cent controlled by CLT-UFA and has an audience share of over 30 per cent and an advertising market share of 50 per cent. RTL4, the largest private television channel in Holland, is a general-interest family-oriented channel, while RTL5 specializes in news and weather reports and Veronica is aimed at younger viewers.

CLT-UFA is also at the forefront of the industry in other European countries: in Belgium, RTL-Tvi is the country's leading French language channel; in Luxembourg, RTL is the only television network broadcasting in the language of the country; and in Great-Britain, the group is developing Channel 5.

Suez Lyonnaise des Eaux S.A.

With its head office in Paris, France, Suez Lyonnaise des Eaux is a leading international industrial organization providing private infrastructure and public utility services focused on four basic human needs: energy, water, waste services, and communications. The group has sales of $50 billion, 217,000 employees in more than 120 countries and earns 43 per cent of its sales revenue outside France.

IN THE WATER SECTOR, Suez Lyonnaise des Eaux provides water distribution and purification services. Sales were $10 billion in 1999. Its subsidiary, Degrémont, the global leader in its field, provides engineering services in the design and construction of water treatment plants. With the acquisitions of Nalco Chemical Company and Calgon Corporation, completed in 1999, the group is the world leader in water treatment. The group supplies drinking water to more than 85 million people world-wide and offers water purification services to 52 million people.

IN THE ENERGY SECTOR, Suez Lyonnaise des Eaux controls nearly 100 per cent of the Belgian company Tractebel S.A., one of the largest private electric utilities in the world. Tractebel has over 70,000 employees and is present in more than 100 countries. Through its affiliates, it also operates gas transportation facilities and provides services in the management and the maintenance of thermal installations, urban heating and cooling systems, and co-generation systems, mainly in Europe and the United States. In 1999, the group also acquired 80 per cent of the capital of Epon N.V., the Netherlands' leading electricity producer.

IN THE WASTE MANAGEMENT SECTOR, the Suez group has sales of $6.7 billion and a workforce of over 70,000 employees, making it the leader in Europe and no. 3 in the world. Its core business in this sector is the collection, sorting, processing, storage and recycling of a wide range of household and industrial waste.

IN THE COMMUNICATIONS SECTOR, the Suez group operates cable networks mainly in France and Belgium and holds an interest in the French digital satellite television project TPS and in M6, the French television channel.

Totalfina is an international oil and petrochemical group. It is involved in all aspects of the oil and gas business: prospecting, production, refining, and retail distribution. In the petrochemical sector, the group is a major international producer of polymers, specifically polypropylene, polyethylene and polystyrene, as well as products for the paint industry. In 1999, the group had sales in the order of $65 billion.

UPSTREAM SECTOR In 1999, oil and gas production increased by 4 per cent to reach 1,108 thousand barrels of oil equivalent per day (kboe/d). Production in the Middle East increased by 2 per cent to reach 324 kboe/d despite the fact that the OPEC countries reduced their quotas. Production outside the Middle East was 784 kboe/d, an increase of 5 per cent.

The group's reserves continued to grow in 1999 to reach 6,256 million boe, an increase of 5 per cent over the previous year. These reserves are composed of 60 per cent liquid and 40 per cent gas. The rate of renewal of the reserves in 1999 is estimated at 227 per cent for the consolidated subsidiaries.

DOWNSTREAM SECTOR Refined products sales were stable compared to the previous year, at 2,227 kb/d. This sector of Totalfina's operations was badly hit in 1999 by the 43 per cent decrease in refining margins, which declined from US$16.90 to US$9.70 per ton. This decrease in margins was partly offset by cost control and synergies from Total's merger with PetroFina.

CHEMICALS SECTOR Totalfina's 1999 sales reached $13.7 billion, an increase of 13 per cent over the previous year. However, industry economics also affected this sector; petrochemical margins were at their lowest in mid-1999. The impact of this was mitigated by internal and external growth.

The approval granted by the European Commission in February 2000 will permit the merger of Totalfina with Elf Aquitaine. This will nearly double the size of the group. The newly created entity will have pro-forma sales of more than $115 billion. The name of the new entity, Totalfina Elf, will be proposed at the next shareholders meeting.

Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

EXCEPT AS OTHERWISE INDICATED
ALL FIGURES ARE EXPRESSED IN CANADIAN DOLLARS

Power Financial Corporation (Power Financial) holds substantial interests in the financial services field in Canada and the United States. Power Financial holds a controlling interest in Great-West Lifeco Inc. (Lifeco) and Investors Group Inc. (Investors Group); Lifeco owns The Great-West Life Assurance Company (Great-West), which in turn holds 100 per cent of London Insurance Group Inc. (LIG) and 100 per cent of Great-West Life & Annuity Insurance Company (GWL&A). LIG in turn holds 100 per cent of London Life Insurance Company (London Life). These subsidiaries, which offer an extensive range of financial products and services to individuals and corporations as well as public and non-profit entities, constitute an important part of the assets and results of the Corporation.

Power Financial also holds, jointly with the Frère Group of Belgium, a significant interest in Pargesa Holding S.A. (Pargesa). The Pargesa group has substantial holdings in a selected number of major communications, specialty minerals, utility and energy companies based in Europe.

Management's discussion and analysis of Power Financial's 1999 financial results focuses on the operations of each of the principal entities within the group. While consolidated financial statements are presented separately in this report, management has also prepared condensed supplementary financial statements of the Corporation with its principal subsidiaries accounted for on the equity basis in order to facilitate the discussion and analysis of each of its activities. A discussion of the financial results, assets, liquidity and financial resources and the outlook for each of the principal subsidiaries and the affiliate has been provided to give readers a greater understanding of Power Financial's underlying assets, earnings base and financial resources.

Lifeco, Great-West, LIG and its 100 per cent owned subsidiary London Life, and Investors Group each publish an annual report with a more detailed discussion and analysis of its activities. Pargesa will publish its 1999 annual report in April 2000. Copies of the annual reports of Lifeco, Great-West, LIG, London Life, Investors Group and Pargesa are available from the secretary of each of these companies or from the Secretary of Power Financial.

HIGHLIGHTS OF OPERATING RESULTS

In 1999, net earnings of Power Financial were $834 million, compared with $678 million in 1998. On a per share basis, earnings per common share were $2.32 in 1999, compared with $1.87 in 1998. The increase in net earnings reflects an increase in both operating earnings ($1.68 per share in 1999 as opposed to $1.37 in 1998, a growth of 22.6 per cent) and Other income ($0.64 per share in 1999 as opposed to $0.50 in 1998).

The increase in operating earnings is mainly due to the significant increase in the earnings of Lifeco and Investors Group. Although operating companies within the Pargesa group reported in 1999 improved operating income, the Corporation's share of earnings of its European affiliate has been affected by changes in the structure of its portfolio and, to a lesser extent, by the effect of currency fluctuations.

Consolidated revenues for the year ended December 31, 1999 were $14,424 million, compared with $14,767 million in 1998. This decrease is mainly due to a shift to administrative services only (ASO) and segregated funds products at Lifeco. Consolidated expenses were $12,988 million in 1999 as opposed to $13,537 million in 1998, due principally to a decrease in amounts paid to policyholders and beneficiaries. Again, this decrease reflects the shift at Lifeco from guaranteed contracts to ASO and segregated funds products.

Consolidated assets and assets under administration of the Power Financial group of companies stood at $131,025 million at the end of 1999 (1998 – $122,491 million).

Power Financial and its subsidiaries held corporate assets of $56,647 million at year-end 1999, as against $58,033 million at the end of 1998. This decrease is primarily due to the consequence of the shift from risk-based retirement products to segregated funds at Great-West Canada, and the impact of the decrease of the U.S. dollar when translating GWL&A's corporate assets into Canadian dollars.

Assets under administration increased to $74,378 million in 1999 from $64,458 million in 1998. These include the segregated funds of Lifeco which are predominantly used to fund pension plan obligations of policyholders and provide clients with a vehicle for investing in group and individual savings plans. The market value of these segregated funds was $33,728 million as at December 31, 1999 (1998 – $28,394 million). Investors Group's assets under administration, at market value, were $40,650 million in 1999 (1998 – $36,064 million). They consist of client assets invested in Investors Group's proprietary mutual funds and other co-branded funds. Lifeco and Investors Group earn fee income from the management and administration of these assets.

POWER FINANCIAL CORPORATION

(In this section, the principal subsidiaries are accounted for on an equity basis.)

Readers are referred to the condensed supplementary financial Statements of Power Financial further in this annual report. The supplementary financial statements identify the sources of the earnings, assets and liabilities of the Corporation.

EARNINGS

Share of Operating Earnings [1] of Subsidiaries and Affiliate

For the years ended December 31 (in millions of dollars)	1999	1998	Change
Subsidiaries			%
Great-West Lifeco Inc.	411	336	22
Investors Group Inc.	164	132	24
Affiliate			
Parjointco N.V. (Pargesa Holding S.A.) [2]	46	46	–
	621	514	21

(1) *Operating earnings represent net earnings exclusive of non-recurring items.*

(2) *Significant net capital gains have been recorded in 1999 by operating companies within the Pargesa group and Pargesa treated its share of these gains (SF104 million) as non-operating earnings. Although Pargesa restated by SF12 million its presentation of 1998 earnings for comparison purposes, the Corporation has not restated its share of 1998 operating earnings of its affiliate.*

Readers are referred to the sections on Lifeco, Investors Group and Pargesa in this analysis for further discussions of the operating results of these entities.

Corporate Activities The net contribution related to corporate activities is a charge of $9 million, unchanged from the 1998 level.

Other Income Other income was $222 million in 1999, compared with $173 million in 1998, and relates primarily to non-recurring earnings recorded by Pargesa.

Pargesa reported non-operating earnings of SF911 million in 1999, mainly as a consequence of the gains recorded in connection with the exchange offers made by Total for PetroFina (January 1999) and by Lasmo plc for Monument Oil and Gas plc (in which Electrafina held a 26.2 per cent interest) and of gains recorded by CLT-UFA and Imerys.

In 1998, Pargesa's non-operating earnings (restated by SF12 million, see footnote 2 above) were SF689 million, mainly as a consequence of the sale of Royale Vendôme and the ING securities received in connection with the sale of Banque Bruxelles Lambert that took place in December 1997.

ASSETS AND LIABILITIES

Cash and cash equivalents, composed of high-quality financial instruments (denominated principally in Canadian dollars at year-end), amounted to $362 million at the end of 1999, compared with $341 million at the end of 1998.

Investments in subsidiaries and affiliate, accounted for under the equity method, aggregated $4.3 billion at year-end, compared with $4.1 billion in 1998, and consisted of the Corporation's interests in Lifeco, Investors Group and Parjointco N.V. The increase is mainly attributable to the share of earnings of subsidiaries and affiliate, net of dividends received, partly offset by the impact of a weaker Swiss franc and US dollar on the Corporation's investment in its subsidiaries and affiliate.

Other investments were $167 million (1998 – $174 million) and included the 8.7 million common shares of BCE Inc. with a carrying value of $164 million held for the potential future exercise of the right of purchase by holders of the exchangeable debentures issued in 1989. These debentures have a carrying value of $167 million.

Other long-term debt represents the $150 million principal amount of 7.65 per cent 10-year debentures issued on January 5, 1996 to fund the early redemption of the SF120 million of bonds that were initially due in March 1997. The $150 million principal amount was swapped into SF127.5 million at a rate of interest of 4.43 per cent.

LIQUIDITY AND CAPITAL RESOURCES

In managing cash and cash equivalents, the Corporation may invest in foreign currencies and thus be exposed to fluctuations in exchange rates. As at December 31, 1999, 97 per cent of cash and cash equivalents were denominated in Canadian dollars.

Dividends

For the years ended December 31 (per share)		1999	1998
	CURRENT ANNUALIZED DIVIDEND (2)	CASH DIVIDEND	CASH DIVIDEND
Great-West Lifeco Inc. (C$) (1)	0.62	0.53	0.44
Investors Group Inc. (C$) (1)	0.58	0.49	0.38
Pargesa Holding S.A. – bearer share (SF)	74	73	72

(1) *In 1998, the common shares of Lifeco and Investors Group were split on a two-for-one basis; 1998 dividends reflect the split.*

(2) *Lifeco and Investors Group: based on the quarterly dividend declared in February 2000. Pargesa dividend to be approved at the May 2000 Annual General Meeting.*

Cash requirements for the payment of dividends are met by dividend income from the subsidiaries and affiliate, interest and dividends on cash and cash equivalents, and, when required, the Corporation's cash position. Total dividends declared on the common shares of Power Financial increased from 50 cents in 1998 (taking into effect the two-for-one share split) to 60.25 cents in 1999. The holders of common shares of the Corporation benefited from increased dividends from subsidiaries and affiliate.

The Corporation's credit standing in the financial markets is as follows:

Independent Ratings of Power Financial

As at December 31, 1999	DOMINION BOND RATING SERVICE	CANADIAN BOND RATING SERVICE
Senior debentures	AA (low)	A+
Preferred shares		
cumulative	Pfd-1 (low)	P-1
non-cumulative	Pfd-1 (low) n	P-2

Shareholders' equity at the end of 1999 was $4,462 million, up from $4,172 million as at December 31, 1998. This increase is mainly due to the increase in retained earnings (+$579 million), which was partly offset by a decrease in foreign currency translation adjustments (–$291 million). These adjustments relate to the Corporation's investment in Pargesa, partly hedged by the swapped $150 million debt, and to its indirect investment in Great-West's U.S. operations; in 1999, the Canadian dollar strengthened against both the Swiss franc and U.S. dollar.

Book value per common share was $11.28 at the end of 1999, compared with $10.45 one year earlier. In 1999, the Corporation issued 256,000 common shares pursuant to the terms of the Employee Stock Option Plan, resulting in an increase in stated capital of $1 million (988,946 shares were issued in 1998, for an increase in stated capital of $4 million).

Power Financial and its subsidiaries and affiliate have substantial financial resources. The cash balances, together with credit facilities, enable the Corporation and the Power Financial group of companies to enhance their positions in their respective sectors and industries and to position themselves to take advantage of selected opportunities on a timely basis.

YEAR 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. During 1999, the Corporation undertook a number of initiatives designed to address the Year 2000 issue, as did its operating subsidiaries and its principal European affiliates. Although the change in date has occurred and management of the Corporation is not currently aware of any Year 2000 issue that would have a material adverse effect on the operations of its operating subsidiaries or affiliates, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Power Financial group of companies, including those related to customers, suppliers, business partners or other third parties, have been fully resolved.

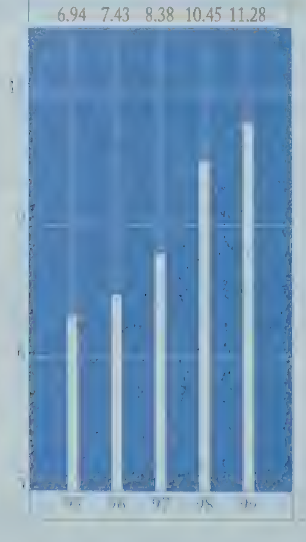
POWER FINANCIAL CORPORATION

CONDENSED SUPPLEMENTARY FINANCIAL STATEMENTS

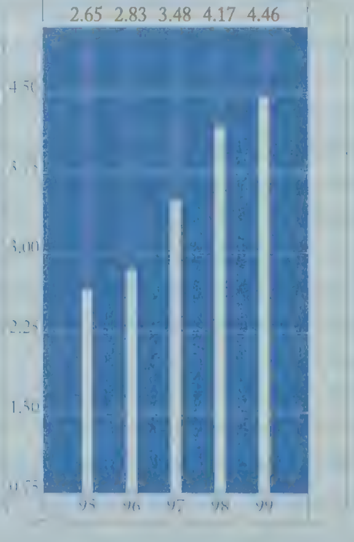
(In this section of the analysis, the principal subsidiaries are accounted for on the equity basis.)

December 31 (in millions of dollars)	1999	1998
Condensed Statements of Earnings		
Share of earnings of subsidiaries and affiliate	621	514
Corporate activities	(9)	(9)
Earnings from operations	612	505
Other income, net	222	173
Net earnings	834	678
Earnings per share (in dollars)	2.32	1.87
Condensed Balance Sheets		
Cash and cash equivalents	362	341
Investments		
Subsidiaries and affiliate at equity	4,335	4,055
Other	167	174
Other assets	72	45
Total assets	4,936	4,615
Accrued liabilities and other	149	108
Exchangeable debentures	167	167
Other long-term debt	150	150
Deferred income taxes	8	18
Shareholders' equity		
Preferred shares	550	550
Common shareholders' equity	3,912	3,622
	4,462	4,172
Total liabilities and shareholders' equity	4,936	4,615

POWER FINANCIAL CORPORATION



Book value per share(1)
(in dollars)



Shareholders' equity
(in billions of dollars)

(1) Gives effect to the subdivision of the Corporation's common shares effective July 9, 1998

GREAT-WEST LIFECO INC.

Readers are referred to the condensed supplementary financial statements of Lifeco further in this annual report.

As at the end of 1999, through its direct interest of 76.6 per cent and Investors Group's interest of 4.3 per cent, Power Financial holds an economic interest of 79.5 per cent in Lifeco. Power Financial holds, directly and indirectly, 65 per cent of the voting rights attached to all outstanding Lifeco voting shares.

Lifeco holds a 100 per cent (99.6 per cent in 1998) voting interest in The Great-West Life Assurance Company (Great-West), which in turn holds a 100 per cent (98.2 per cent in 1998) interest in London Life Insurance Company (London Life) and Great-West Life & Annuity Insurance Company (GWL&A). Through Great-West and London Life in Canada and GWL&A in the United States, a wide range of life insurance, health insurance, and retirement and investment products are offered to individuals, businesses and other private and public organizations. As well, as part of its Canadian operations, Great-West offers reinsurance and specialty general insurance products in specific niche markets through its subsidiaries, London Reinsurance Group Inc. and London Guarantee Insurance Company.

Selected Financial Information

(in millions of dollars, except per common share amounts)	1999			1998			
	CANADA	U.S.	TOTAL	CANADA	U.S.	TOTAL	% CHANGE
For the Year							
Premiums for life insurance, guaranteed annuities, insured health products, and reinsurance and property and casualty	5,765	2,761	8,526	6,408	2,829	9,237	(8)
Self-funded premium equivalents (ASO contracts) (1)	1,039	4,425	5,464	983	3,866	4,849	13
Segregated funds deposits (1)	2,113	3,837	5,950	2,421	3,276	5,697	4
Total premiums and deposits	8,917	11,023	19,940	9,812	9,971	19,783	1
Fee and other income	278	944	1,222	237	766	1,003	22
Paid or credited to policyholders	6,547	3,389	9,936	7,089	3,591	10,680	(7)
Net income							
Total	248	321	569	209	264	473	20
Common shareholders	215	321	536	181	256	437	23
Return on common equity			17.1%			15.4%	
Per common share							
Net earnings			1.43			1.17	23
Dividends paid			0.53			0.44	20
Book value			8.70			8.12	7
At December 31							
Total assets	32,277	20,979	53,256	32,478	22,247	54,725	(3)
Segregated funds assets (1)	15,730	17,998	33,728	12,959	15,435	28,394	19
Total assets and assets under administration	48,007	38,977	86,984	45,437	37,682	83,119	5
Capital stock and surplus			3,789			3,548	7

(1) *Segregated funds deposits and self-funded premium equivalents (ASO contracts)*
The financial statements of a life insurance company do not include the assets, liabilities, deposits and withdrawals of segregated funds or the claims payments related to administrative services only (ASO) Group health contracts. However, Great-West does earn fee and other income related to these contracts. Segregated fund business is an option offered to policyholders under an insurance annuity contract, where the benefit amount is directly linked to the market value of the investments held in the particular segregated account. The contractual arrangements are such that the segregated fund contract holder bears the risks and rewards of the account's investment performance apart from death and maturity benefit guarantees. ASO Group health contractual agreements are those where Great-West provides administrative and claims paying services for clients, and under these arrangements, the client bears some or all of the claim risk. The self-funded premium equivalents generally represent claims paid under these contracts which approximate the additional premiums that would have been earned if these contracts had been written as traditional risk programs. Both segregated funds and ASO contracts are a growing aspect of the overall business of Great-West and should be considered when comparing volumes, size and trends.

HIGHLIGHTS OF OPERATING RESULTS

Lifeco's net income attributable to common shareholders was $536 million or $1.43 per share, up 23 per cent from $437 million or $1.17 per share for 1998. The return on common shareholders' equity was 17.1 per cent for the 12 months ended December 31, 1999.

Net income for 1999 reflects significant increases for both Canadian and United States operations, compared to 1998.

Total premium income, including self-funded premium equivalents and segregated funds deposits, was up one per cent overall with growth in the fee based self-funded and segregated funds lines. Fee and other income was up 22 per cent over 1998. Reinsurance premiums were down over 1998, typical of the irregular nature of premiums in this line of business, and influenced the premium income line.

Capital stock and surplus increased to $3.8 billion at December 31, 1999, from $3.5 billion at year-end 1998. During 1999, the quarterly dividend paid on common shares was increased to $0.125 per share for the March and June dividends, and to $0.14 for the September and December dividends, for a total dividend of $0.53 for the year. This represents a dividend payout ratio of 37.1 per cent of 1999 earnings (1998 – 37.6 per cent), and a 1999 dividend yield (dividends as a percentage of average high and low market prices) of 2.2 per cent (1998 – 2.0 per cent). Book value per common share was $8.70 at December 31, 1999, compared with $8.12 at December 31, 1998.

FINANCIAL POSITION

Total assets and assets under administration grew to $87 billion at year-end 1999, an increase of $3.9 billion from 1998. Assets under administration include segregated funds of $33.7 billion at December 31, 1999, compared with $28.4 billion at the end of 1998.

Obligations to policyholders made up 92 per cent of total liabilities at the end of 1999 (91 per cent at year-end 1998). The valuation of policy liabilities is certified by the Actuary of Great-West as being in accordance with accepted actuarial practices.

Total capital and surplus, including non-controlling and other interests, of $5.9 billion at December 31, 1999 was 12.5 per cent of total liabilities, compared with $5.6 billion or 11.5 per cent in 1998. It is Lifeco's intention to maintain surplus ratios in its operating subsidiaries at levels sufficient to provide assurance of policyholder security and to maintain its superior credit ratings.

The Office of The Superintendent of Financial Institutions has specified a measurement basis for life insurance companies operating in Canada. This measurement basis is referred to as the Minimum Continuing Capital and Surplus Requirements (MCCSR) and Great-West's ratio is 210 per cent, a very solid level for the industry (196 per cent at the end of 1998).

ASSET QUALITY

At December 31, 1999, exposure to mortgage loans and real estate was 21 per cent of invested assets compared with 22 per cent at the end of 1998.

Lifeco's exposure to non-investment grade bonds was 0.6 per cent of the portfolio at the end of 1999, unchanged from December 31, 1998.

Non-performing investments, including bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more, and real estate acquired by foreclosure, totalled $96 million or 0.2 per cent of invested assets at December 31, 1999, compared with $107 million and 0.2 per cent a year earlier. Lifeco's allowance for credit losses at December 31, 1999 was $178 million compared with $203 million at year-end 1998.

Ratings of Major Subsidiaries of Lifeco

RATING AGENCY	MEASUREMENT	RATINGS GREAT-WEST	RATINGS LONDON LIFE	RATINGS GWL&A
A.M. Best Company	Financial Condition and Operating Performance	A++*	A++*	A++*
Canadian Bond Rating Service	Investment Strength	A++*	A++*	NR
Dominion Bond Rating Service	Claims Paying Ability	IC-1*	IC-1*	NR
Duff & Phelps Corporation	Claims Paying Ability	AAA*	AAA*	AAA*
Moody's Investors Service	Insurance Financial Strength	Aa2	Aa2	Aa2
Standard & Poor's Corporation	Insurer Financial Strength	AA+	AA+	AA+

**Highest rating available; NR – not rated*

The credit ratings of Lifeco and its major subsidiaries were reaffirmed during 1999.

CANADIAN OPERATIONS

The discussion of operating results is followed by a report on operations of the Canadian segment of Great-West Lifeco Inc., presented in terms of the major Canadian business units of The Great-West Life Assurance Company and London Insurance Group Inc.

- Group Insurance – life, health and disability insurance products for group clients.
- Individual Insurance & Investment Products – life and disability insurance products for individual clients, as well as retirement savings and income products for both group and individual clients.
- Reinsurance & Specialty General Insurance – life, property and casualty, accident and health, annuity coinsurance and specialty general insurance in specific niche business markets.

Net income from Canadian operations for 1999 was $248 million, compared with $209 million for 1998. Net income attributable to common shareholders was $215 million, up from $181 million for 1998.

The positive earnings results were due to a combination of reduced operating expenses as a result of continued integration of Great-West and London Life operations, improvement in investment results, increased segregated funds fee income, and favourable mortality experience, offset somewhat by unfavourable group morbidity and reinsurance margins associated with accident and health lines.

Total assets under administration in Canada reflect a 21 per cent growth in segregated funds assets in 1999.

Premiums and Deposits – Canada

(in millions of dollars)	1999	1998	Change	1999	1998	Change
	PREMIUMS AND DEPOSITS			SALES		
			%			%
Group Insurance	2,781	2,729	2	202	166	22
Individual Operations						
Life Insurance	1,538	1,507	2	105	110	(4)
Disability Income	102	92	11	20	18	11
Retirement & Investment Services	2,421	2,759	(12)	2,888	2,981	(3)
Reinsurance & Specialty						
General Insurance	2,075	2,725	(24)	2,075	2,725	(24)
	8,917	9,812	(9)	5,290	6,000	(12)

Group Insurance Great-West successfully completed the integration and conversion of London Life's group insurance business on schedule in 1999. One success measure of integration is the persistency rate among converted London Life business, which was higher than expected reflecting general client acceptance of the conversion process and of the company's products and services. In total, more than 10,000 London Life group cases were converted to Great-West administration systems in 1998 and during the first half of 1999. Group insurance premium income, which includes claims from non-insured administrative services only clients, was up 2 per cent. This growth rate was slightly higher than anticipated. It reflects the intense focus on completing the conversion of London Life group insurance cases.

Sales results were up 22 per cent over 1998. This reflects continued strong sales growth in the target small- and mid-sized client market fuelled by the company's expanded distribution system, which includes London Life representatives. The company also experienced significant sales improvement in the ASO market. Sales in the large case insured market dropped, reflecting a stronger underwriting approach in this segment.

Individual Insurance & Investment Products Individual Insurance & Investment Products consists of three distinct business divisions: Individual Life (Life), Individual Disability (Disability) and Retirement & Investment Services (R&IS).

Life insurance sales, as measured by annualized premiums, were $105 million in 1999, while revenue premium exceeded $1.5 billion. Sales declined four per cent overall in 1999, in a relatively flat market. Term insurance sales were up nine per cent in terms of new annualized premiums with most of the growth occurring through Investors Group representatives; universal life sales increased 73 per cent, due in part to the company rounding out its universal life product offering through an agreement to market a third party universal life product for the over $500,000 market. Sales of participating policies decreased seven per cent, but were strong in the mature market, where consumers are concerned with wealth management.

Total sales of Disability insurance increased by 11 per cent during 1999 for a total of $20 million in new annualized premiums, while revenue premium increased by 11 per cent. The sales growth in this market is due mainly to Great-West's competitive product line, which the company continues to enhance.

In 1999, growth in the company's R&IS business was affected by the market conditions that impacted the investment funds industry in general. The stock market correction in late 1998, combined with low returns in early 1999 and consumer concerns about Year 2000, depressed contributions to investment funds in Canada. In this environment, the company's sales were relatively strong when compared with other large segregated funds carriers and with the mutual fund market in general.

Reinsurance and Specialty General Insurance Reinsurance premium income was down, primarily due to fewer structured reserve contracts written in 1999, compared with 1998, but total margins from this product segment increased from 1998.

UNITED STATES OPERATIONS

The discussion of operating results is followed by a report on operations of the United States segment of Great-West Lifeco Inc., presented in terms of the major business units of Great-West Life & Annuity Insurance Company (GWL&A).

- Employee Benefits – life, health, disability insurance and 401(k) products for small- to mid-sized corporate employers.
- Financial Services – accumulation and payout annuity products for both group and individual clients, as well as life insurance products for individual clients.

Net income from United States operations of Lifeco in 1999 was $321 million, up from $264 million in 1998. Net income attributable to common shareholders was $321 million in 1999, compared with $256 million in 1998.

The increase in net income reflects improvements in both business segments. The Financial Services increase is associated with improved investment income in the asset intensive lines and increased fee income. Employee Benefits earnings were positively affected by growth in fee revenue, improved group morbidity experience, offset somewhat by unfavourable mortality experience.

In U.S. currency, general funds assets were at the same levels as in 1998, and segregated funds assets in the United States increased 24 per cent in 1999. In Canadian currency, due to the change in the exchange rate, there was a reduction of 6 per cent for general funds assets and an increase of 17 per cent for segregated funds assets.

Premiums and Deposits – United States

(in millions of dollars)	1999	1998	Change	1999	1998	Change
	PREMIUMS AND DEPOSITS			SALES		
			%			%
Employee Benefits						
Group Life & Health	5,927	5,008	18	956	1,002	(5)
401(k)	2,632	2,382	10	944	874	8
Financial Services						
Savings	1,321	1,331	(1)	651	724	(10)
Insurance	1,143	1,250	(9)	651	644	1
	11,023	9,971	11	3,202	3,244	(1)

The 11 per cent increase in premium income and deposits in 1999 comprised growth in Employee Benefits, offset by a decrease in Financial Services premium income and deposits due to lower premium renewal income from Corporate-Owned Life Insurance (COLI). The growth in premium income in the Employee Benefits segment is primarily due to Alta Health & Life Insurance Company (formerly named Anthem Health & Life Insurance Company) premium equivalents from ASO contracts.

Employee Benefits The 1999 equivalent premium income for Group Life and Health was $5.9 billion, an increase of 18 per cent from 1998. GWL&A experienced net case growth of 468 cases, which is primarily the result of a new simplified self-funded product introduced in the second half of the year.

GWL&A made two acquisitions in 1999, which will increase medical membership and have an impact on operations in 2000. Effective March 2000, GWL&A will assume the in-force business of Allmerica Financial Corporation and then convert each case, as it renews, to a GWL&A product. It is estimated that this will result in an additional 300,000 medical members and $1.2 billion of equivalent premium income.

Effective January 1, 2000, GWL&A acquired the Group Life and Health business of General American Life Insurance Company (General American). GWL&A will coinsure all the risks associated with the General American block of business in 2000. Effective January 2001, GWL&A will assume the General American business through an assumption reinsurance transaction. This acquisition will add approximately 900,000 medical members and $2.5 billion of equivalent premium income.

As a result of higher recurring deposits from existing customers and sales in 1999, 401(k) premiums and deposits increased 10 per cent from 1998.

Financial Services Overall sales were down five per cent over 1998 levels, as single premiums in 1999 were lower than 1998 by $92 million.

Savings premiums and deposits totalled $1.3 billion, which was essentially level with 1998. Fee income increased 22 per cent in 1999 to $129 million as a result of new sales, growth in equity markets and increased revenue from administrative services.

Individual life insurance revenue premiums and deposits of $1.1 billion in 1999 decreased 8.6 per cent from 1998 levels due to a reduction in non-participating COLI premiums. However, GWL&A experienced strong Bank-Owned Life Insurance (BOLI) sales in 1999 of $648 million. The insurance lines are experiencing the same trend that the savings business has seen over the last few years, as $297 million of BOLI premiums were recorded as segregated funds deposits.

OUTLOOK

Lifeco continues to manage its businesses to achieve sustained growth to the benefit of shareholders, employees, representatives and customers. The company sees growth opportunities in a number of its current markets in Canada and the United States, and will enter new markets and distribution channels with the introduction of new products slated for 2000. As well, the company will continue to use strategic acquisitions to grow in its target markets.

Demutualization has created a positive market place environment for Great-West. The majority of players are now exposed to similar financial expectations, creating a more price-rational market.

In this environment, Great-West is well positioned for growth.

GREAT-WEST LIFECO INC.

CONDENSED SUPPLEMENTARY FINANCIAL STATEMENTS

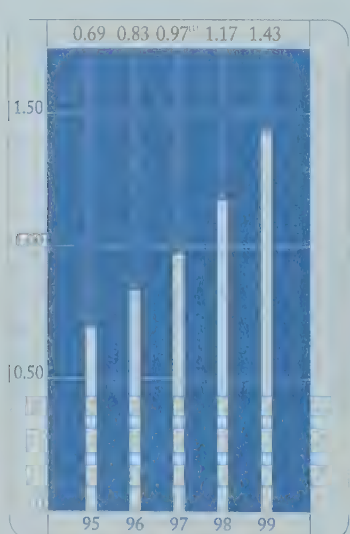
December 31 (in millions of dollars)	1999	1998
Condensed Statements of Earnings		
Premium income	8,526	9,237
Net investment income	3,580	3,516
Fee and other income	1,222	1,003
	13,328	13,756
Paid or credited to policyholders and beneficiaries	9,936	10,680
Other expenses	2,334	2,134
	12,270	12,814
Income before income taxes and non-controlling interests	1,058	942
Income taxes	366	361
Non-controlling interests	123	108
Net income	569	473
Per share data (in dollars)		
Earnings	1.43	1.17
Condensed Balance Sheets		
Bonds	30,397	30,714
Mortgage and policyholder loans	14,104	15,581
Other assets	8,755	8,430
Total assets	53,256	54,725
Policy liabilities	43,433	44,690
Other liabilities	3,905	4,404
Non-controlling interests	2,129	2,083
Preferred shares	530	519
Common shareholders' equity	3,259	3,029
Total liabilities and shareholders' equity	53,256	54,725

GREAT-WEST LIFECO INC

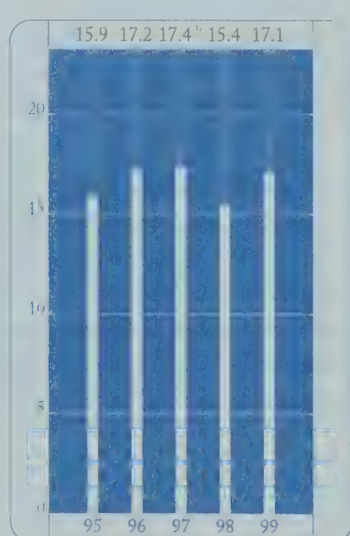
(1) Before provision for integration [illegible]

(2) [illegible]

effective September 1998.



Earnings per share(2)
(in dollars)



Return on equity
(per cent)

(1) [illegible]

after provision

Readers are referred to the condensed supplementary financial statements of Investors Group further in this annual report.

Power Financial holds a 67.7 per cent interest in Investors Group.

Investors Group's core business is to provide personal financial planning services to Canadians. Through Investors Group's network of highly trained and well-supported representatives, Investors Group offers a comprehensive package of financial planning services and products. These include mutual funds, insurance, securities services, mortgages, guaranteed investment certificates, annuities and loans for registered investments.

At the end of 1999, Investors Group counted 3,626 financial planning representatives in its network, a decrease from 3,774 a year earlier, primarily because of the more difficult environment in which to attract qualified recruits. An emphasis on hiring top-quality candidates continues to yield positive results. The percentage of representatives with more than four years' experience increased to 57.0 per cent from 52.6 per cent a year earlier. During 1999, representative compensation, recognition system and training programs were re-aligned to meet the key strategic objectives of client service, sales force growth and productivity, and asset retention.

Investors Group continues to broaden its reach in the financial services market place. In 1998, Investors Group acquired the MAXXUM group of funds from London Insurance Group Inc. through its subsidiary MAXXUM Fund Management Inc. This acquisition has provided Investors Group with access to 2,700 sales representatives from London Insurance Group Inc. During 1999, Investors Group was able to further advance its strategic objectives by partnering with Scudder Maxxum Co., the newly formed alliance of MAXXUM Fund Management Inc. and Scudder Canada Investor Services Co. This partnership provides Investors Group with the opportunity to broaden the range of products offered to clients, experience economies of scale, capitalize on its product manufacturing capabilities and gain access to distribution channels that include full-service and discount brokers, insurance companies and other financial intermediaries, as well as distributing directly to consumers. This alliance enables Scudder Maxxum Co. to supply the sales force of London Insurance Group Inc. with a more comprehensive range of investment products.

Investors Group derives its revenue from a range of sources, primarily fees that are charged to its mutual funds for investment advisory and management services. Investors Group also earns revenue from fees charged to its mutual funds for administrative services. These fees are generally based on the net asset value of the funds. Investors Group derives revenue from fees charged to account holders for the distribution of funds by Investors Group's financial planning representatives, as well as from the distribution of insurance and brokerage products. Additional revenue is earned through investment certificate operations and mortgage operations.

Summarized Financial Information

(in millions of dollars)	1999	1998	Change
			%
Sales of financial products and services			
Mutual funds	5,915	6,296	(6.1)
Mortgage originations	1,011	959	5.4
Securities (external assets gathered)	946	385	145.8
Deposits	87	78	11.2
Insurance (annualized premiums)	25	19	34.1
Net income	236	188	25.1
Assets under management			
Mutual funds	40,650	36,064	12.7
Corporate	1,812	1,799	0.7
Securities assets under administration	1,471	590	149.4
Insurance in force (face amount)	18,086	14,548	24.3
Mortgages serviced	7,569	8,144	(7.1)
Common shareholders' equity	967	851	13.6
Return on equity	26.4%	23.8%	
Per common share (in dollars)			
Earnings	1.12	0.89	25.4
Dividends	0.49	0.38	28.9
Book value	4.59	4.03	13.9

HIGHLIGHTS OF OPERATING RESULTS

Investors Group achieved record net income of $236 million in 1999. This represents an increase of 25.1 per cent from 1998 earnings of $188 million. Net income per common share was $1.12, up from $0.89 in 1998.

Fee and investment income totalled $1,049 million, an increase of 7.5 per cent from 1998. Operating expenses incurred in earning fee and investment income amounted to $601 million, a decrease from the $605 million incurred in 1998. These expenses (excluding commissions) as a percentage of average assets under management were 0.69 per cent in 1999, down from 0.73 per cent in 1998, reflecting Investors Group's management's effective monitoring and control of expenses.

Shareholders' equity increased to $967 million as at December 31, 1999, from $851 million at December 31, 1998. Return on average common equity was 26.4 per cent, compared with 23.8 per cent in 1998. The quarterly dividend per common share was increased to 13 cents (52 cents annually) during 1999.

SALES RESULTS

Sales of Investors Group's mutual funds were relatively consistent with 1998 levels. These results are very encouraging, considering that market volatility, which began in 1998, continued into the first half of 1999. Total sales in 1999 were $5.9 billion – the third-highest level of sales in the corporation's history – compared with $6.3 billion in 1998.

During 1999, insurance sales increased 34.1 per cent to more than $25 million in annualized premiums – the highest level of insurance product sales in Investors Group's history. Investors Group Securities Inc., a subsidiary involved in securities operations, attracted $946 million in new assets – an increase of 145.8 per cent from the $385 million placed in 1998. Sales of mortgage products were equally strong, with mortgage originations reaching a record high of more than $1 billion.

REVENUES

Fee Income Fee income is generated from the management, administration and distribution of 66 Investors Group mutual funds, plus the funds offered by MAXXUM Fund Management Inc. and Scudder Maxxum Co. The distribution of insurance products and the provision of securities services generate additional fee income. Total fee income rose by $72 million to $928 million, an 8.4 per cent increase over 1998 results, reflecting the growth in assets under management.

To provide a stable level of fee income, Investors Group must maintain high levels of assets under management. The level of assets under management is influenced by sales, redemption rates and investment management. At 11.9 per cent, Investors Group's redemption rate was among the lowest in the industry. During 1999, investment management services provided reasonable capital preservation, thereby maintaining high asset values.

MANAGEMENT FEES Current annual fees for management services provided to Investors Group's mutual funds range from 0.65 per cent to 2.4 per cent of assets under management. During 1999, management fee revenue increased by $57 million to reach $714 million, an increase of 8.6 per cent. This increase is a result of the growth in mutual fund assets under management.

ADMINISTRATION FEES During 1999, Investors Group earned a total of $130 million in administration fees, compared with $129 million in 1998. Trustee fee revenue increased 8.1 per cent – to $19 million from $17 million in 1998. While assets under management increased during 1999, fees charged to the funds for administrative services remained relatively constant as a result of Investors Group's effective control of costs.

DISTRIBUTION FEES During 1999, distribution fee income rose by $14 million. This increase is largely a result of fee income earned from the distribution of insurance products, which increased 34 per cent during the year.

Investment Income Investment income includes interest and dividends earned on cash and short-term investments, marketable securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of an affiliate's earnings, and income related to mortgage banking activities. Investment income totalled $121 million in 1999 and represented 11.5 per cent of gross revenue, compared with 12.2 per cent in 1998. This decline reflects the substantial increase in fee income during 1999.

Net investment income is the difference between investment income and interest expense. Interest expense is the interest on deposit liabilities, certificates and debt. Net investment income on a taxable-equivalent basis was $86 million, an increase of 9.2 per cent or $7 million from the 1998 level of $79 million. The increase is a result of lower average interest-bearing liabilities. Average interest-bearing liabilities were $505 million, down 21 per cent or $138 million from 1998 levels.

Investment margin represents the net investment income divided by average earning assets. This margin increased 69 basis points (bps) to 6.82 per cent in 1999 from 6.13 per cent in 1998. This improvement is the result of a decrease in the proportion of earning assets funded by interest-bearing liabilities.

EXPENSES

Commissions Investors Group incurs commissions expense in connection with the distribution of its financial services products, particularly Investors Group's mutual funds. Representatives earn commissions on the sale of Investors Group products and, as a result, this expense will fluctuate to a significant extent with the level of sales. Commissions expense also includes an asset retention bonus based on the level of client assets serviced. Commissions expense decreased by $14 million, or 4.2 per cent, to $327 million compared with $341 million in 1998. The decline in commissions expense was primarily a result of lower mutual fund sales.

Non-Commission Expenses During 1999, non-commission expenses were $274 million. This total included strategic and restructuring expenditures of $37 million to develop and implement Investors Group's strategic plan, to develop and launch additional products, the redesign of the representatives training program, to support integration associated with the acquisition of MAXXUM group of funds and the formation of the Scudder Maxxum Co. joint venture, and the development of Investors Group corporate image and the *Solutions Built Around You*™ advertising campaign. Excluding these expenditures, non-commission expenses were $237 million, representing an increase of $26 million, or 12.3 per cent, from 1998. Variable costs rose by 16.2 per cent to $51 million. Fixed costs increased by $21 million, or 12.5 per cent, and were largely driven by initiatives related to the expansion of Investors Group's distribution activities.

FINANCIAL POSITION

Investors Group's consolidated assets totalled $1.812 billion at December 31, 1999, compared with $1.799 billion in 1998. Investors Group's holdings of securities increased $51 million, or 13.7 per cent, to $421 million at the end of 1999. As of December 31, 1999, the market value of the marketable securities in Investors Group portfolios and its unregulated subsidiaries was $374 million. Investors Group strives to ensure that its portfolio holdings are of the highest quality and seeks to manage the market and credit risk associated with a securities portfolio.

During 1999, mortgage loans decreased by 11.3 per cent, or $39 million, to $309 million. They represented 17.0 per cent of total assets, in comparison with 19.4 per cent in 1998. As at December 31, 1999, residential impaired loans totalled $0.7 million, representing 0.20 per cent of the total mortgage portfolio, compared with $2 million, or 0.52 per cent, in 1998. The allowance for credit losses exceeded residential impaired loans by $8 million as at December 31, 1999, and by $5 million at December 31, 1998.

LIQUIDITY AND CAPITAL RESOURCES

Investors Group's liquidity requirements involve financing operations, servicing its debt and equity and providing capital to subsidiaries. In addition, Investors Group maintains a certain level of liquidity to be able to act on attractive investment opportunities.

A key liquidity requirement for Investors Group is the funding of commissions paid to representatives for the sale of mutual funds. As a result of the reduction in front-end loads, a greater proportion of commissions expense must be funded from Investors Group's management fees. In this regard, Investors Group has a competitive advantage over other mutual fund companies, which generally fund commissions with capital raised through the sale of limited partnerships or through equity and debt markets. The management of Investors Group feels that commissions expense can be funded through management fee revenue earned on mutual fund assets under management.

Shareholders' equity amounted to $967 million at December 31, 1999, representing 53.4 per cent of total assets, compared with 47.3 per cent at year-end 1998. Investors Group monitors capital adequacy on an ongoing basis and maintains a conservative debt-equity ratio. At December 31, 1999, this ratio was 18.0 per cent, compared with 31.3 per cent at the end of 1998.

Independent reviews confirm the continuing quality of Investors Group's balance sheet and strength of its operations. During 1999, both the Canadian Bond Rating Service (CBRS) and the Dominion Bond Rating Service (DBRS) maintained their ratings of Investors Group's senior debt and liabilities. The senior debt and liabilities were rated A+ Low by CBRS and A High by DBRS. Management of Investors Group is confident that its current capital resources are adequate and can support its activities during 2000.

OUTLOOK

The mutual fund and financial services industries enjoyed significant growth in 1999. Analysts continue to forecast strong growth for both industries. This view is supported by changes in demographics (an aging population is turning its attention to savings and investment), changes in investment habits, the increasing ease of investment, and a growing concern over the adequacy of government-sponsored pension plans.

Investors Group is well positioned to participate in the future growth of the mutual fund and financial services industries. It enjoys a strong competitive position because of the inherent strengths of its financial planning approach and integrated business model.

To provide financial planning services to Canadians, Investors Group must compete with other mutual fund companies and, increasingly, with other financial services organizations including banks, brokers and life insurance companies. During 1999, mergers and acquisition activity increased, reflecting consolidation within the industry. Management of Investors Group expects continued consolidation in the industry as smaller participants are acquired by larger, more efficient organizations.

Investors Group has enhanced its competitive position by offering a broader range of products and services and a greater diversity of mutual funds, as well as a choice of investment managers, insurance, securities services and mortgages. The management of Investors Group believes that this strategy will increase client retention, attract new clients and assist representatives in strengthening their relationships with clients.

MARKET INFLUENCES

Corrections in domestic and international markets and increases in interest rates may affect the outlook for Investors Group. During the first part of 1999, many equity markets experienced some volatility. However, by mid-year, most markets had recovered, and by year-end, many of the major equity markets had set new highs. Demand for mutual funds reflected these trends, with sales levels recovering later in the year. Increases in interest rates could have a significant impact on equity markets and mutual fund sales. Declines in the value of equity markets could also result in increased redemptions of mutual funds.

Redemption rates The mutual fund industry has successfully educated mutual fund investors on the benefits of long-term investing. The redemption rate for Investors Group's mutual funds, excluding money market funds, was 9.8 per cent for the year, among the lowest in the industry. The redemption rate for the industry as a whole, excluding Investors Group and money market funds, was 17.4 per cent.

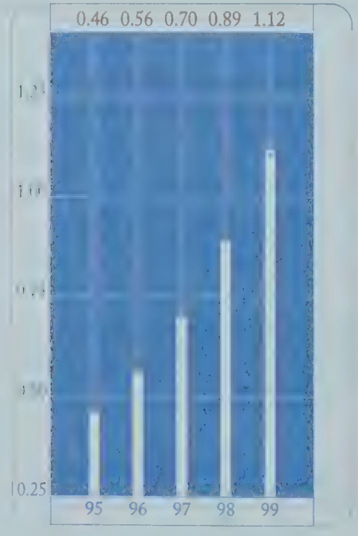
Investors Group representatives play a key role in maintaining low redemption rates. They educate clients about the value of a long-term investment strategy and the benefits of an appropriate level of portfolio diversification. In periods of market volatility and decline, representatives have been effective in encouraging clients to assume a long-term investment outlook and continue to invest.

INVESTORS GROUP INC.

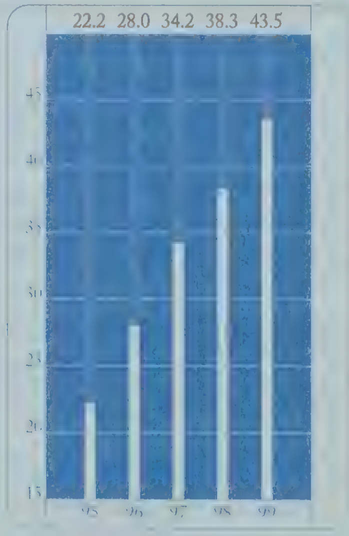
CONDENSED SUPPLEMENTARY FINANCIAL STATEMENTS

December 31 (in millions of dollars)	1999	1998
Condensed Statements of Earnings		
Gross revenue		
Fee income	928	856
Investment income	121	119
	1,049	975
Operating income	1,015	929
Operating expenses	601	605
Income before income taxes	414	324
Income taxes	178	136
Net income	236	188
Earnings per share (in dollars)	1.12	0.89
Condensed Balance Sheets		
Cash and short-term investments	528	570
Securities	421	370
Mortgage loans	309	348
Investment in affiliate	280	271
Other assets	274	240
Total assets	1,812	1,799
Deposits and certificates	307	372
Other liabilities	367	314
Long-term debt	171	262
Shareholders' equity	967	851
Total liabilities and shareholders' equity	1,812	1,799

INVESTORS GROUP INC.



Earnings per share(1)
(in dollars)



Assets under management
and administration
(in billions of dollars)

(1) Gives effect to the subdivision of Investors Group's common shares effective July 13, 1998

Highlights of Results Power Financial Corporation and the Frère group, of Charleroi, Belgium, each hold 50 per cent of Parjointco N.V. (Parjointco), a Dutch company that, as at December 31, 1999, held 61.1 per cent of the voting rights (61.2 per cent in 1998) and 54.4 per cent of the participating common shares (54.7 per cent in 1998) of Pargesa Holding S.A. (Pargesa), the parent company of the Pargesa group. The shares of Pargesa are listed on the Swiss Exchange. The Pargesa group holds the group's investments in various large European companies active in the communications (CLT-UFA), specialty minerals (Imerys), utilities (Suez Lyonnaise des Eaux) and energy (Totalfina Elf) sectors.

At that same date, the carrying value of Power Financial Corporation's interest in Parjointco was $1,251 million, compared with $1,240 million in 1998. This increase represents Power Financial Corporation's share of the net earnings of Parjointco, foreign currency translation adjustments and other items, less dividends received. An organization chart and a more detailed description of the group's main holdings can be found in the section of this report pertaining to the Pargesa group.

As at December 31, 1999, Pargesa, based in Geneva, Switzerland, held a 49.3 per cent equity interest representing 51.9 per cent of the voting rights (48.9 per cent and 51.0 per cent, respectively, in 1998) in Groupe Bruxelles Lambert S.A. (GBL), which is based in Brussels, Belgium, and listed on the Brussels, Paris, Amsterdam and Luxembourg stock exchanges. Pargesa and GBL held a 52.7 per cent joint interest (53.3 per cent in 1998) in Imerys S.A. (Imerys), a company listed on the Paris Stock Exchange. Pargesa also held an 85.9 per cent interest (84.5 per cent in 1998) in Orior Holding S.A. (Orior), based in Vevey, Switzerland. Orior, a company primarily active in the food industry, is listed on the Swiss Exchange. GBL, through intermediary holding companies over which it has control (Electrafina S.A. and Audiofina S.A.), holds the group's investments in CLT-UFA, Suez Lyonnaise des Eaux, and Totalfina Elf.

Pargesa Group – Financial Information

As at December 31, 1999 (in millions of dollars)[1]

	PARGESA HOLDING S.A.	GROUPE BRUXELLES LAMBERT S.A.	ORIOR HOLDING S.A.
Cash and temporary investments[2]	229	1,682[3]	9
Long-term debt		726[4]	63
Shareholders' equity	4,580	4,822	152
Market capitalization	3,933	7,097	104

(1) *Foreign currencies have been converted into Canadian dollars at the year-end rate*

(2) *Net of financial debt due within one year*

(3) *Including net cash and temporary investments of Electrafina S.A. and Audiofina S.A. which amounted to $639 million at December 31, 1999, as well as $286 million of GBL shares held by GBL. The exercise of all outstanding options to purchase additional shares of Audiofina would result in a cash outflow of $1,190 million.*

(4) *Including convertible bonds issued in 1998 by GBL, for an amount of $360 million*

Over the last few years, Pargesa has taken steps to:

- focus on a limited number of selected industrial and services groups that are well positioned in their respective markets and over which the group has full or joint control, or in which it holds at least a significant interest;
- streamline the corporate structure of the group while strengthening its financial position.

As a result, the portfolio of investments has changed, several assets were sold — for example, all of the group's interests in the banking and financial services industries — and, in other instances, significant acquisition or merger transactions were carried out in order to consolidate existing positions, including, in 1999 and early in 2000, the merger of PetroFina with Total and then Elf Aquitaine in the oil sector, the purchase of English China Clays plc by Imerys in the minerals sector, the increase of GBL's interest in Audiofina through an investment of $1.5 billion and the acquisition by CLT-UFA of 49.9 per cent of the German television network, Vox, in the communications sector.

As at year-end 1999, Pargesa's net asset value (based on market prices of listed companies) was as follows, with the group's four primary investments comprising more than 90 per cent of the net asset value:

Pargesa – Net Asset Value (flow-through basis)

As at December 31, 1999 (in millions of dollars)

	MARKET VALUE (PARGESA'S SHARE)	%
Totalfina Elf (3.4 per cent – largest shareholder)	1,836	25.4
Suez Lyonnaise des Eaux (8.4 per cent – largest shareholder)	1,515	21.0
Imerys (52.7 per cent – controlling shareholder) [1]	1,326	18.4
Audiofina (53.8 per cent – controlling shareholder) [2]	1,479	20.5
Audiofina – options [3]	810	11.2
Orior Holding (85.9 per cent – controlling shareholder)	86	1.2
Other assets	342	4.7
Net cash and cash equivalents [3] [4]	173	2.4
Long-term debt [4]	(343)	(4.8)
Total	7,224	100

Note: percentage of ownership denotes the cumulative interests of Pargesa and its subsidiaries and affiliates as at December 31, 1999.

(1) *Imétal was renamed Imerys in September 1999.*

(2) *Audiofina holds a 50 per cent interest in CLT-UFA Holding.*

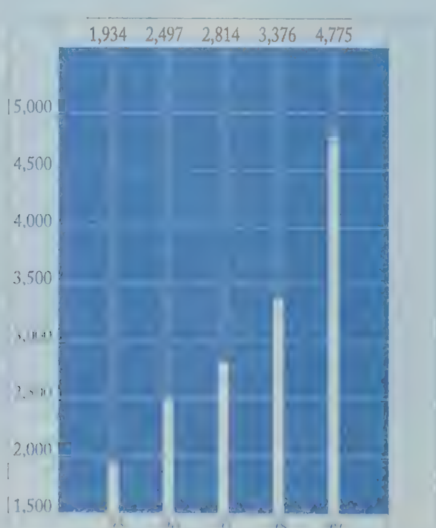
(3) *As at December 31, 1999, the GBL group was the beneficiary of options to purchase additional Audiofina shares that it intends to exercise. These options are valued based on the underlying market price of Audiofina shares, and the corresponding cash settlement (Pargesa's share: $584 million) has been deducted from "Net cash and cash equivalents".*

(4) *Pargesa's share of net cash and cash equivalents or long-term debt*

From an accounting standpoint, the transactions referred to above have resulted in a reduction in the number of investments accounted for under the equity method and an increase in dividend income (as Suez Lyonnaise des Eaux and Totalfina, which constitute more than 46 per cent of Pargesa's net asset value, are accounted for at cost). In 1999, the growth in earnings of Imerys and CLT-UFA, leveraged by the increase of the group's economic interest in those two companies, and the dividends received from Suez Lyonnaise des Eaux and Totalfina offset the decrease in share of earnings resulting from the disposition of PetroFina and Monument Oil and Gas and from the sale (in May 1998) of Royale Belge, which were accounted for under the equity method.

Furthermore, the group recorded significant capital gains, which are classified as non-operating earnings. In 1999 and 1998, non-operating earnings stood at SF911 million and SF689 million respectively (including non-operating earnings recorded by operating companies accounted for under the equity method).

PARGESA HOLDING S.A.



Net asset value per share, which stood at SF4,775 as at December 31, 1999, was as follows for each of the past five years

Net asset value per share at year-end
(in Swiss francs)

Pargesa Holding S.A

December 31 (in millions)	1999		1998	
	SF	$[1]	SF	$[1]
Operating earnings	175	173	157	161
Non-operating earnings	911	902	689	707
Net earnings	1,086	1,075	846	868

(1) *Average Swiss franc to Canadian dollar: 0.9901 in 1999 and 1.0258 in 1998*

Net gains recorded in 1999 (SF911 million) mainly result from the contribution of the group's interest in PetroFina to Total and in Monument Oil and Gas plc to Lasmo plc, as well as from the disposal of investments by operating companies accounted for under the equity method, namely the sale by CLT-UFA of a 45 per cent interest in Première television network (5 per cent retained) and the sale of Copperweld Corporation by Imerys.

IMERYS

Imerys benefited from the consolidation of the operations of English China Clays plc (ECC) in 1999, which it acquired for $1.9 billion in May, and from an improvement on the main markets of the group in the second half of the year. These two factors pushed up Imerys' net operating earnings by more than 23 per cent over the preceding year. In North America, the metal processing division, Copperweld Corporation, was sold for a gross amount of US$650 million during the second half of the year, at which time it ceased to contribute to earnings. Imerys also sold ECC-owned Calgon Corporation for gross proceeds of US$425 million.

CLT-UFA

CLT-UFA also saw an appreciable improvement in its operating earnings in 1999. Television and radio station networks are showing solid growth, and non-capitalized expenses related to the start-up of new television and radio operations are in steep decline due, among other things, to the sale of most of the investment in the deficit-running Première television network, for an amount of $1.3 billion in the first half of 1999. Sales from CLT-UFA operations, leveraged by the favourable advertising situation in Europe, are experiencing growth superior to the advertising markets in which the group operates. In addition during 1999 and early 2000, CLT-UFA made the following investments: 11 per cent interest in RTL Television, in Germany, for $350 million, to increase its control to 100 per cent; also in February, a further 49.9 per cent interest in Vox for $475 million, which brings CLT-UFA's holding to 75 per cent; a further interest of 6.4 per cent in Channel 5 in the United Kingdom; and a further 2 per cent in M6 in France.

At year-end 1999, GBL announced that it had reached an agreement with minority shareholders of Audiofina, the intermediate holding company that jointly controls CLT-UFA, to acquire their interests in this company, for a total cash consideration of $1.5 billion. As at December 31, 1999, the group held 53.8 per cent of Audiofina. If all the options that GBL had at that time were exercised, the group's interest would have increased to 78 per cent. In January and February 2000, the GBL group sold approximately five per cent of Audiofina shares in order to increase the liquidity on the stock market.

SUEZ LYONNAISE DES EAUX

Suez Lyonnaise des Eaux experienced new growth of 29 per cent in its net operating earnings. The group pursued development in all its core businesses and on the international stage. It signed several important contracts, including, in the water sector, the concession contract in Santiago, Chile, a city of five million people. It also made significant acquisitions, including Nalco Chemicals Company and Calgon Corporation in the United States, and increased its control over its main subsidiaries by purchasing substantially all non-controlling shareholdings in Tractebel S.A., Sita and United Water Resources Inc. These transactions were carried out partly in Suez Lyonnaise des Eaux securities; taking into account additional purchases made by Electrafina in 1999 (for an amount of $230 million) and the transactions referred to above, the group held 8.4% of the equity and 13.9% of the voting rights of Suez Lyonnaise des Eaux at the end of 1999 (10.7% and 12.4%, respectively, at the end of 1998).

TOTALFINA

Totalfina experienced a year of contrasts: substantial increases in crude oil prices and depressed refining and petrochemical margins. The average Brent crude oil price rose by 42 per cent to US$18.00/barrel in 1999, compared with US$12.70/barrel in 1998, and refining margins fell by 43 per cent to US$9.70/ton in 1999, compared with US$16.90/ton the previous year. The dollar increased in value by four per cent in relation to the Euro in 1999, with Euro/dollar parity averaging 1.07 for the period. Eliminating non-recurring items, net earnings are up 13 per cent over the previous year (pro forma), at $2.7 billion for the year. As indicated previously, in February 2000, Totalfina received approval from the European authorities to complete the merger with Elf Aquitaine, which had estimated net earnings for 1999 of over $3.0 billion.

OUTLOOK

The Pargesa group intends to continue to focus its activities on a small number of large Europe-based businesses. It wants to concentrate on developing these businesses from a strategic standpoint while simplifying and consolidating its own financial structure.

Composition of Pargesa's Net Earnings

As at and for the years ended December 31 (in millions of dollars) [1]

	CUMULATIVE EQUITY INTEREST	PARGESA'S ECONOMIC INTEREST	CONTRIBUTIONS TO PARGESA'S EARNINGS 1999		1998 (2)	
	%	%	$	%	$	%
Contribution from Principal Holdings						
▪ Equity accounted						
Imerys (industrial)	52.7	39.6	80	*46*	65	*40*
CLT-UFA (communications)	50.0	10.6	20	*12*	(8)	*(5)*
▪ Non-consolidated						
Suez Lyonnaise des Eaux (public services)	8.4	3.3	27	*16*	15	*9*
Totalfina (oil and gas) (3)	3.4	1.3	29	*17*	–	–
▪ Disposed of						
PetroFina (oil and gas) (3)					53	*33*
Royale Belge					15	*9*
			156	*91*	140	*86*
Other companies subject to equity accounting (4)			6	*3*	10	*7*
Operating earnings from holding companies, net of goodwill			11	*6*	11	*7*
Earnings, before capital gains, net			173	*100*	161	*100*
Capital gains, net			902		707	
Net earnings			1,075		868	
Average currency rate			0.9901		1.0258	

(1) *Converted into Canadian dollars based upon average exchange rates.*

(2) *Reclassified to conform with the presentation adopted in 1999.*

(3) *Early in 1999, the group contributed its shares in PetroFina – which was accounted for under the equity method – in exchange for Total shares. Later in 1999, PetroFina and Total merged together to create Totalfina. As a result of these transactions, the group's interest in Totalfina is accounted for at cost.*

(4) *GBL sold its interests in several minor holdings in 1999.*

Financial Information

POWER FINANCIAL CORPORATION

CONSOLIDATED BALANCE SHEETS

As at December 31 (in millions of dollars)	1999	1998
Assets		
Cash and cash equivalents	1,622	1,670
Investments (Note 2)		
Shares	1,323	1,303
Bonds	30,471	30,747
Mortgages and other loans	14,413	15,929
Real estate	1,120	1,081
	47,327	49,060
Investment in affiliate, at equity (Note 3)	1,251	1,240
Other assets (Note 4)	6,447	6,063
	56,647	58,033
Liabilities		
Policy liabilities		
Actuarial liabilities (Note 5)	40,036	41,128
Other	3,397	3,562
Deposits and certificates	307	372
Long-term debt (Note 6)	985	837
Other liabilities (Note 7)	3,867	4,512
	48,592	50,411
Non-controlling interests (Note 8)	3,593	3,450
Shareholders' Equity		
Stated capital (Note 9)		
Preferred shares	550	550
Common shares	545	543
Retained earnings	3,198	2,619
Foreign currency translation adjustments	169	460
	4,462	4,172
	56,647	58,033

Approved by the Board of Directors

Director

Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31 (in millions of dollars, except per share amounts)	1999	1998
Revenues		
Premium income	8,526	9,237
Investment income	3,748	3,672
Fee income	2,150	1,858
	14,424	14,767
Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	9,936	10,680
Commissions and operating expenses	2,961	2,769
Interest expense	91	88
	12,988	13,537
	1,436	1,230
Share of earnings of affiliate (Note 3)	46	46
Other income, net (Note 11)	222	173
Earnings before income taxes and non-controlling interests	1,704	1,449
Income taxes (Note 12)	535	483
Non-controlling interests (Note 8)	335	288
Net earnings	834	678
Earnings per common share	2.32	1.87

POWER FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended December 31 (in millions of dollars)	1999	1998
Retained earnings, beginning of year	2,619	2,144
Add		
Net earnings	834	678
Discount on redemption of First Preferred Shares 1969 Series		1
	3,453	2,823
Deduct		
Dividends		
Preferred shares	31	31
Common shares	209	173
Reduction due to capital transactions of subsidiaries	15	
	255	204
Retained earnings, end of year	3,198	2,619

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31 (in millions of dollars)	1999	1998
Operating Activities		
Net earnings	834	678
Non-cash charges (credits)		
Increase (decrease) in policy liabilities	(192)	1,581
Decrease (increase) in funds withheld by ceding insurers	(252)	(1,235)
Amortization and depreciation	76	76
Deferred income taxes	(23)	113
Non-controlling interests	335	288
Other	(496)	(385)
Cash from operating activities	282	1,116
Financing Activities		
Dividends paid		
By subsidiaries to non-controlling interests	(132)	(124)
Preferred shares	(31)	(31)
Common shares	(199)	(164)
	(362)	(319)
Issue of common shares	1	
Issue of common shares by subsidiaries	5	
Repurchase of common shares by subsidiaries	(38)	
Repurchase of preferred shares		(31)
Issue of preferred shares by a subsidiary	200	
Repurchase of preferred shares by a subsidiary	(200)	
Issue of subordinated capital income securities	252	
Repayment of long-term debt, commercial paper and other loans	(273)	(210)
Increase in demand deposits	11	6
Decrease in term deposits	(58)	(89)
Decrease in certificates	(17)	(33)
Other	(13)	(6)
	(492)	(682)
Investment Activities		
Bond sales and maturities	20,932	32,260
Mortgage loan repayments	4,003	4,350
Sale of shares	251	459
Real estate sales	39	146
Change in loans to policyholders	201	(167)
Change in repurchase agreements	(243)	(369)
Investment in subsidiaries	(39)	(123)
Investment in bonds	(21,619)	(33,491)
Investment in mortgage loans	(3,026)	(2,907)
Investment in shares	(223)	(401)
Investment in real estate	(89)	(81)
Other	(25)	(17)
	162	(341)
Increase (decrease) in cash and cash equivalents	(48)	93
Cash and cash equivalents, beginning of year	1,670	1,577
Cash and cash equivalents, end of year	1,622	1,670
Supplemental cash flow information		
Income taxes paid	380	469
Interest paid	91	88

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and include the accounts of the Corporation and its subsidiaries.

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in those statements and accompanying notes. The reported amounts and note disclosures are determined using Management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from such estimates.

The principal operating subsidiaries of the Corporation are: Great-West Lifeco Inc. ("Lifeco") (direct interest of 76.6%, 1998 – 76.9%), which holds 100% (1998 – 99.6%) of the common shares of The Great-West Life Assurance Company ("Great-West"), which in turn holds 100% of the common shares of London Insurance Group ("LIG") and 100% of the common shares of Great-West Life & Annuity Insurance Company, ("GWL&A") and Investors Group Inc. ("Investors Group") (interest of 67.7%, 1998 – 67.4%), which holds 4.3% of the common shares of Lifeco. The Corporation accounts for its investment in its affiliate using the equity method. Investments in joint ventures that are jointly controlled are consolidated on a proportionate basis.

The consolidated statement of cash flows for the year ended December 31, 1998 has been restated to reflect the new requirements under Section 1540 of the *CICA Handbook*. For purposes of the statement of cash flows, cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short term maturities.

Investments Investments, other than those held by Great-West, are accounted for as follows:

Investments in shares are carried at cost; where there has been a loss in value that is other than a temporary decline, a write-down is made to recognize the loss. Bonds, mortgages and other loans are valued at amortized cost plus accrued interest less provisions for losses. Real estate investments are valued at cost less provisions for losses.

Investments held by Great-West are accounted for as follows:

Investments in shares (equity securities) are carried at cost plus a moving average market value adjustment of $13 million (1998 – $7 million). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized to earnings at 15% per annum on a declining balance basis. Market values for public shares are generally determined by the closing sale price of the exchange on which the security is principally traded. Market values for shares for which there is no active market are determined by management.

Investments in bonds and mortgage loans (debt securities) are carried at amortized cost net of any allowance for credit losses. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized over the period to maturity of the security sold.

Investments in real estate are carried at cost net of write-downs and allowances for loss, plus a moving average market value adjustment of $39 million (1998 – $28 million). The carrying value is adjusted toward market value at a rate of 10% per annum. Net realized gains and losses are included in Net deferred gains on portfolio investments sold and are amortized to earnings at 10% per annum on a declining balance basis. Market values for all properties are determined annually by management based on a combination of the most recent independent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by qualified appraisers.

Other loans, which include loans to policyholders, are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes Income taxes are accounted for using the deferral method of income tax allocation. Under this method, a provision for deferred income taxes arises as a result of differences in the timing of income recognition for financial statement and income tax purposes. The major timing differences relate to portfolio investments, provision for future policy benefits and the amortization of capital assets.

Actuarial Liabilities Actuarial liabilities of Great-West represent the amount which, together with estimated future premiums and investment income, will be sufficient to pay estimated future benefits, dividends and expenses on policies in force. Actuarial liabilities are determined using generally accepted actuarial practices, according to standards established by the Canadian Institute of Actuaries. In accordance with these accepted practices, annuity reserves and LIG's group life and health claim reserves have been established using cash flow valuation techniques. All other reserves have been determined using the policy premium method.

In the computation of actuarial liabilities, valuation assumptions have been made regarding rates of mortality/morbidity, investment returns, levels of operating expenses and rates of policy termination. The valuation assumptions use best estimates of future experience together with a margin for misestimation and experience deterioration. These margins have been set in accordance with guidelines established by the Canadian Institute of Actuaries and are necessary to provide reasonable assurance that the reserves are adequate to cover a range of possible outcomes. Margins are reviewed periodically for continued appropriateness.

Goodwill Goodwill, being the difference between the cost of the investment in subsidiary and affiliated corporations and the fair value of the underlying net assets at the dates of acquisition, is amortized over periods not exceeding thirty years using the straight-line method. The Corporation reviews the carrying value of goodwill to determine if it has been permanently impaired in value by conditions affecting the subsidiary and affiliated corporations, using projections of future earnings and cash flows of the related subsidiary and affiliated corporations. Management is of the opinion that there has been no reduction in the value assigned to goodwill.

Stock-Based Compensation Plan The Corporation has a stock-based compensation plan, which is described in Note 9. No compensation expense is recognized for this plan when stock options are granted to employees. Any consideration paid by employees on exercise of stock options is credited to share capital.

Repurchase Agreements Great-West enters into repurchase agreements with third-party broker-dealers in which Great-West sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments The Corporation and its subsidiaries use derivative products as risk management instruments to hedge or manage asset and liability positions within guidelines which prohibit their use for speculative purposes.

The accounting policies used for derivative financial instruments held for hedging purposes correspond to those of the underlying hedged position.

Foreign Currency Translation All assets and liabilities denominated in foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. The Corporation and its subsidiaries follow the current rate method of foreign currency translation for their net investments in self-sustaining foreign operations. All income and expenses are translated at average rates prevailing during the year. Exchange gains and losses are included in earnings except those related to self-sustaining operations and financing related thereto, which are deferred in the shareholders' equity section of the balance sheet.

Pension Plans and Other Post-Retirement Benefits The Corporation and its subsidiaries participate in funded defined benefit pension plans for certain employees and agents and unfunded supplementary employee retirement plans for certain executive officers. Direct contributions are being made to the funded pension plans and current service costs are being charged to earnings. The actuarially determined cost of the unfunded supplementary employee retirement plans is being charged to earnings over the estimated service life of the officers covered by the plans.

The Corporation and its subsidiaries also provide post-retirement health and life insurance benefits to eligible retirees, the cost of which is recognized as incurred.

Comparative Figures Certain of the 1998 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

Change in Accounting Policies The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3465, *Income Taxes,* which modifies the method of accounting for income taxes. Effective for fiscal years beginning on or after January 1, 2000, the existing deferral method, which focuses on the statement of earnings, will be replaced with the liability method of tax allocation, which focuses on the balance sheet. When the new standard is adopted, future income taxes will represent temporary differences between the tax basis of assets and liabilities and their carrying values for accounting purposes. The liability method requires all future income tax assets and liabilities to be remeasured at the tax rate that is expected to apply when the temporary differences reverse. The impact of adopting the new standard is not expected to have a material effect on the consolidated financial statements of the Corporation.

The CICA has also issued Section 3461, *Employee Future Benefits,* effective for fiscal years beginning on or after January 1, 2000. This Standard requires companies to accrue the costs of post-retirement benefits other than pensions over the expected working lives of employees in a manner similar to pension costs. Under current practice, such costs are charged to income as incurred. The Standard also requires a change in the discount rate used to value liabilities and service costs from an estimated long-term interest rate to a market-based interest rate. The impact of adopting the new standard is not expected to have a material effect on the consolidated financial statements of the Corporation.

2. INVESTMENTS

(in millions of dollars)

	CARRYING VALUE			
	HELD BY GREAT-WEST	HELD BY THE CORPORATION AND OTHER SUBSIDIARIES	TOTAL	ESTIMATED MARKET VALUE
1999				
Shares	809	514	1,323	1,475
Bonds	30,397	74	30,471	29,665
Mortgages and other loans	14,104	309	14,413	14,528
Real estate	1,106	14	1,120	1,285
	46,416	911	47,327	46,953
1998				
Shares	792	511	1,303	1,475
Bonds	30,714	33	30,747	32,100
Mortgages and other loans	15,581	348	15,929	16,373
Real estate	1,072	9	1,081	1,183
	48,159	901	49,060	51,131

Term to Maturity and Interest Range of Bonds and Mortgage Loans

(in millions of dollars)

	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	EFFECTIVE INTEREST RATE RANGES
1999					
Bonds	2,902	8,633	18,936	30,471	2.7–15.0%
Mortgage loans	1,943	4,479	2,829	9,251	4.0–13.8%
1998					
Bonds	2,703	8,235	19,809	30,747	3.4–13.8%
Mortgage loans	1,909	5,637	2,779	10,325	4.0–14.5%

Other loans, included in mortgages and other loans on the consolidated balance sheet, consist of loans to policyholders amounting to $5,162 million (1998 – $5,604 million) and have no fixed term. They have interest rates ranging from 5% to 8% (1998 – 5% to 8%).

Included in investments are the following:

Impaired Loans

(in millions of dollars)	1999	1998
Mortgage loans	80	61
Foreclosed real estate	17	37
Bonds		4
	97	102

Impaired loans include non-accrual loans and foreclosed real estate held for sale. Bond and mortgage investments are reviewed on a loan by loan basis to determine impaired status. Loans are classified as non-accrual when:

(1) payments are 90 days or more in arrears, except in those cases where, in the opinion of management, there is justification to continue to accrue interest; or

(2) the Corporation no longer has reasonable assurance of timely collection of the full amount of the principal and interest due; or

(3) modified/restructured loans are not performing in accordance with the contract.

2. INVESTMENTS (CONTINUED)

Where appropriate, provisions are established or write-offs made to adjust the carrying value to the net realizable amount. Wherever possible the fair value of collateral underlying the loans or observable market price is used to establish net realizable value.

Allowance for Credit Losses

(in millions of dollars)	1999	1998
Bonds	21	22
Mortgage loans	165	187
Foreclosed real estate	1	1
	187	210

Changes in the Allowance for Credit Losses

(in millions of dollars)	1999	1998
Balance, beginning of year	210	197
Provisions for credit losses	(17)	13
Recoveries	11	9
Write-offs	(9)	(18)
Other	(8)	9
Balance, end of year	187	210

The allowance for credit losses includes general provisions, established at a level that, together with the provision for future credit losses included in actuarial liabilities, reflects Great-West's and Investors Group's estimates of potential future credit losses.

Investments in real estate include an asset value allowance, which provides for deterioration of market values associated with real estate held for investment amounting to $34 million (1998 – $38 million).

Also included in mortgages and other loans are modified/restructured loans that are performing in accordance with their current terms amounting to $333 million (1998 – $409 million).

3. INVESTMENT IN AFFILIATE AT EQUITY

(in millions of dollars)	1999	1998
	PARJOINTCO N.V.[1]	
Carrying value, beginning of year	1,240	892
Share of earnings	46	46
Share of gains on disposal of long-term investments, net[2]	235	174
Foreign currency translation adjustments	(227)	166
Amortization of goodwill	(3)	(6)
Dividends	(32)	(32)
Other, net	(8)	
Carrying value, end of year	1,251	1,240
Share of equity, end of year	1,225	1,176

(1) Parjointco N.V., 50% held by the Corporation, held a voting interest of 61.1% (1998 - 61.2%) and an equity interest of 54.4% (1998 - 54.7%) in Pargesa Holding S.A.
(2) After deduction of goodwill associated with investments sold.

4. OTHER ASSETS

(in millions of dollars)	1999	1998
Funds withheld by ceding insurers	2,426	2,174
Goodwill, net of accumulated amortization	1,744	1,710
Dividends and interest receivable	616	731
Premiums in course of collection	496	378
Deferred income taxes	168	208
Other, including fixed assets, net of accumulated depreciation	997	862
	6,447	6,063

5. ACTUARIAL LIABILITIES

The composition of actuarial liabilities is as follows:

(in millions of dollars)		1999	1998
Individual	– Life	18,842	18,147
	– Annuity	5,451	6,436
	– Health	180	178
Group	– Life	766	767
	– Annuity	8,075	9,106
	– Health	2,305	2,272
Reinsurance		4,405	4,212
Property & casualty		12	10
		40,036	41,128

6. LONG-TERM DEBT

(in millions of dollars)	1999	1998
Power Financial Corporation		
Exchangeable debentures, due April 30, 2014 (i)	167	167
7.65% debentures, due January 5, 2006 (ii)	150	150
Investors Group Inc.		
10.65% debentures 1989 series, due June 15, 1999		100
6.65% debentures 1997 series, due December 13, 2027	125	125
Great-West Lifeco Inc.		
First mortgages secured by real estate and limited recourse mortgages at interest rates from 6.4% to 11.4% maturing at various dates to 2014	155	145
Other notes payable at interest rates from 4.3% to 9.0%	36	39
9.375% Senior debentures due January 8, 2002, unsecured	100	100
7.25% Subordinated capital income securities redeemable by the Corporation on or after June 30, 2004, due June 30, 2048, unsecured (US$175M)	252	
6.875% Senior debentures, repaid in 1999(US$7M)		11
	985	837

(i) Exchangeable debentures, due April 30, 2014, bear interest at an annual rate equal to the rate represented by the dividend paid on common shares of BCE Inc. divided by $19.25, plus 1%. The debentures are redeemable prior to maturity at the option of the Corporation at a price equal to the principal amount together with accrued and unpaid interest; the redemption price may be satisfied by the delivery of up to 8,691,122 common shares of BCE Inc. or cash, at the debenture holders' option. The BCE Inc. shares are included in Investments-Shares at a cost of $18.875 per share (market value per share, 1999 – $131.15, 1998 – $57.85).

(ii) These debentures were effectively converted into a Swiss franc denominated debt (SF127,518,490) bearing interest at 4.43% payable semi-annually through a ten-year cross-currency swap expiring in 2006. The carrying value of this swap is included in Other assets.

Interest expense on long-term debt amounted to $72 million (1998 – $65 million).

The maximum aggregate amount of principal payments on long-term debt in each of the next five years is as follows: $14 million in 2000; $23 million in 2001; $144 million in 2002; $38 million in 2003 and $30 million in 2004.

7. OTHER LIABILITIES

(in millions of dollars)	1999	1998
Accounts payable and accrued liabilities	1,975	2,137
Net deferred gains on portfolio investments sold (see below)	1,189	1,422
Income taxes payable	394	216
Commercial paper and other loans	147	305
Repurchase agreements	116	374
Dividends and interest payable	46	58
	3,867	4,512

The balance of net deferred gains on portfolio investments sold comprise the following:

(in millions of dollars)	1999	1998
Shares	425	490
Bonds	705	857
Mortgage loans	47	64
Real estate	12	11
	1,189	1,422

Investment income includes the amortization of net deferred realized gains on portfolio investments and of net unrealized gains on shares and real estate investments of $234 million (1998 – $227 million).

8. NON-CONTROLLING INTERESTS

(in millions of dollars)	1999	1998
Non-controlling interests include:		
Participating policyholders	1,412	1,341
Preferred shareholders of subsidiaries	1,230	1,219
Common shareholders of subsidiaries	951	890
	3,593	3,450
Earnings attributable to non-controlling interests include:		
Earnings attributable to participating policyholders	83	66
Dividends to preferred shareholders of subsidiaries	67	71
Earnings of subsidiaries attributable to common shareholders	185	151
	335	288

9. STATED CAPITAL

Authorized

First preferred shares, issuable in series – unlimited
Second preferred shares, issuable in series – unlimited
Common shares – unlimited

Issued and Outstanding

	1999		1998	
	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
		(in millions)		(in millions)
Preferred Shares				
Series A First Preferred Shares (i)	4,000,000	100	4,000,000	100
Series B First Preferred Shares (ii)	6,000,000	150	6,000,000	150
Series C First Preferred Shares (iii)	6,000,000	150	6,000,000	150
Series D First Preferred Shares (iv)	6,000,000	150	6,000,000	150
		550		550
Common Shares (v)(vi)	346,835,998	545	346,579,998	543

(i) The Series A First Preferred Shares are entitled to an annual cumulative dividend at a floating rate equal to 70% of the prime rate of two major Canadian chartered banks and are redeemable at $25.00 per share.

(ii) The Series B First Preferred Shares are entitled to a $1.75 annual non-cumulative dividend. Such shares are redeemable by the Corporation on or after February 28, 2003 (i) in cash, at a price per share of $25.00, or (ii) by the conversion of each such share to be redeemed into that number of common shares determined by dividing $25.00 by the greater of $3.00 and 95% of the weighted average trading price of the common shares at such time. On or after August 31, 2003, subject to the right of the Corporation to convert into a further series of preferred shares, to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing $25.00 by the greater of $3.00 and 95% of the weighted average trading price of the common shares at such time.

(iii) The Series C First Preferred Shares are entitled to a fixed 5.20% annual non-cumulative dividend. Such shares are redeemable by the Corporation on or after October 31, 2007 in cash, at $26.00 per share if redeemed within the twelve months commencing October 31, 2007, declining by $0.20 per share for each subsequent twelve-month period thereafter to October 31, 2011, $25.20 if redeemed on or after October 31, 2011 and before July 31, 2012, and $25.00 if redeemed on or after July 31, 2012. On or after July 31, 2012, the Corporation may convert each Series C First Preferred Share into that number of common shares determined by dividing $25.00 by the greater of $3.00 and 95% of the weighted average trading price of the common shares at such time. On or after October 31, 2012, subject to the right of the Corporation to convert into a further series of preferred shares, to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing $25.00 by the greater of $3.00 and 95% of the weighted average trading price of the common shares at such time.

9. STATED CAPITAL (CONTINUED)

(iv) The Series D First Preferred Shares are entitled to a fixed 5.50% annual non-cumulative dividend. Such shares are redeemable by the Corporation on or after January 31, 2013 in cash at a price per share of $25.00.

(v) The average number of common shares outstanding during the year was 346,779,456 (1998 – 346,268,357).

(vi) Under the Corporation's Executive Stock Option Plan, 10,915,854 additional common shares are reserved for issuance. The plan requires that the exercise price under the option must not be less than the market value of a share on the date of the grant of the option. Options granted after 1998 have a term of ten years and may be exercised as follows: 50% one year after the grant date, 75% two years after the grant date and 100% three years after the grant date. Options granted before 1999 have a term of ten years and may be exercised as follows: 20% the year of the grant, 40% one year after the grant date, 60% two years after the grant date, 80% three years after the grant date and 100% four years after the grant date.

A summary of the status of the Corporation's stock option plan as at December 31, 1999 and 1998, and changes during the years ended on those dates is as follows:

	1999		1998	
	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
		$		$
Outstanding at beginning of year	6,771,054	7.51	7,760,000	7.13
Granted	60,000	26.26		
Exercised	(256,000)	5.22	(988,946)	4.51
Outstanding at end of year	6,575,054	7.78	6,771,054	7.51
Options exercisable at end of year	5,523,054	7.17	4,979,054	6.75

The following table summarizes information about stock options outstanding at December 31, 1999:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
			$		$
4.89–7.78	5,475,054	4.2	6.56	4,899,054	6.42
13.10–13.32	1,040,000	7.3	13.11	624,000	13.11
26.26	60,000	9.4	26.26		
	6,575,054	4.7	7.78	5,523,054	7.17

10. PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

The Corporation and its subsidiaries maintain funded defined benefit pension plans which cover certain employees and agents. As at December 31, 1999, the present value of the accrued pension obligations was $1,284 million (1998 – $1,247 million) and the approximate present value of the pension fund assets available to meet these obligations was $1,618 million (1998 – $1,533 million). The actuarially determined obligations of the unfunded supplementary employee retirement plans as at December 31, 1999 were $38 million (1998 – $33 million) and the accrued cost to that date was $37 million (1998 – $32 million).

11. OTHER INCOME, NET

(in millions of dollars)	1999	1998
Share of Pargesa gains on disposal of long-term investments, net	235	174
Gain resulting from dilution of the Corporation's interest in Lifeco	21	
Other	(34)	(1)
	222	173

12. INCOME TAXES

	1999	1998
The following table reconciles the statutory and effective tax rates:		
Combined basic Canadian federal and provincial tax rates	44.6%	44.6%
Dividend income	(1.8)	(2.2)
Equity in net earnings of affiliated company	(7.0)	(7.1)
Lower effective tax rates on income not subject to tax in Canada	(4.2)	(5.1)
Decrease in the income tax rate resulting from prior years' adjustments	(1.9)	(0.5)
Miscellaneous including Large Corporations Tax	1.6	3.6
	31.3%	33.3%
(in millions of dollars)		
Components of income taxes provided are:		
Current income taxes	558	370
Deferred income taxes	(23)	113
	535	483

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table presents the fair value of the Corporation's financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

(in millions of dollars)	1999		1998	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	1,622	1,622	1,670	1,670
Investments	46,207	45,668	47,979	49,948
Other financial assets	3,572	3,578	3,291	3,300
Total financial assets	51,401	50,868	52,940	54,918
Liabilities				
Policy liabilities	43,433	43,447	44,690	46,666
Deposits and certificates	307	307	372	383
Long-term debt	985	939	837	884
Other financial liabilities	2,173	2,173	2,767	2,767
Total financial liabilities	46,898	46,866	48,666	50,700

Fair value is determined using the following methods and assumptions:

The fair value of temporary financial instruments is assumed to be equal to book value due to their short-term maturities. These include cash and cash equivalents, dividends and interest receivable, and premiums in the course of collection.

Shares and bonds are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used. Mortgage loans are determined by discounting the expected future cash flows at market interest rates for loans with similar credit risk.

The fair value of policy liabilities is based on the fair value of the assets of Great-West supporting them.

Deposit liabilities are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is determined by reference to current market prices for debt with similar terms and risks.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Interest Rate Risk Interest rate risk is managed by effectively matching portfolio investments with liability characteristics. Hedging instruments are employed where necessary when there is a lack of suitable permanent investments to minimize loss exposure to interest rate changes. For Great-West, the valuation interest rate assumes a declining investment yield in order to incorporate reinvestment risk in the actuarial valuation.

Credit Risk Credit risk is managed through an emphasis of quality in the investment portfolio and by maintenance of issuer, industry and geographic diversification standards. For Great-West, projected investment returns are reduced to provide for future credit losses on currently held assets.

Reinsurance Risk of Great-West Large amount claim risk for life and health insurance and property and casualty insurance is controlled by having reinsurance in place for claims over specified maximum benefit amounts (which vary by line of business) and by having catastrophic accident coverage in place covering up to $200 million of claims from a single event.

Reinsurance contracts do not relieve Great-West from its obligations to policyholders. Failure of reinsurers to honour their obligations could result in losses to Great-West. Consequently, allowances are established for amounts deemed uncollectible. Great-West evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

As a result of reinsurance, actuarial liabilities have been reduced by $678 million (1998 – $523 million).

13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign Exchange Risk If the assets backing actuarial liabilities and other activities are not matched by currency, changes in foreign exchange rates can expose the Corporation and its subsidiaries to the risk of foreign exchange losses not offset by liability decreases.

Foreign exchange risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward contracts and cross-currency swaps. These financial instruments allow the Corporation and its subsidiaries to modify an asset position to more closely match actual or committed liability currency.

The Corporation itself may have an exposure to foreign currency fluctuations on its foreign currency denominated cash and cash equivalents. Such foreign currency fluctuations and changes in the average yield would continue to affect the Corporation's income from investments.

Liquidity Risk Liquidity risk is the risk that the Corporation will have difficulty in raising funds to meet commitments. The liquidity needs of the Corporation and its subsidiaries are closely managed through cash flow matching of assets and liabilities and forecasting earned and required yields, to ensure consistency between liability requirements and the yield of assets. Over 60% of policy liabilities are non-cashable prior to maturity, or subject to market value adjustments or withdrawal penalties.

Sensitivity of Actuarial Assumptions The actuarial assumption most susceptible to change in the short term is future investment returns. Based on the projected cash flows of Great-West as of December 31, 1999, the approximate after-tax impact of an immediate 1% increase in the general level of interest rates applied to actuarial liabilities and associated assets would be to increase the fair value of Great-West's surplus by $5 million. The impact of an immediate 1% decrease would be to decrease the fair value of its surplus by $28 million.

14. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries, in the normal course of managing exposure to fluctuations in interest rates, foreign exchange rates and market risks, are parties to various derivative financial instruments whose notional amount is not recorded on the balance sheet.

The following table summarizes the portfolio of off-balance sheet financial instruments at December 31:

(in millions of dollars)

	NOTIONAL AMOUNT					
	1 YEAR OR LESS	1–5 YEARS	OVER 5 YEARS	TOTAL	MAXIMUM CREDIT RISK	TOTAL ESTIMATED FAIR VALUE
1999						
Interest rate contracts	603	2,353	227	3,183	15	(8)
Foreign currency contracts	119	846	576	1,541	91	58
Equity index contracts	101	157	95	354	108	84
Share options purchased	34	100		134	17	17
Share options written	36	112		148		(3)
	893	3,568	898	5,359	231	148
1998						
Interest rate contracts	460	2,030	41	2,531	20	18
Foreign currency contracts	226	1,103	484	1,813	35	(61)
Equity index contracts	233	79	105	417	70	52
Share options purchased	33	137		170	6	6
Share options written	34	149		183		(13)
	986	3,498	630	5,114	131	2

The amount subject to credit risk is limited to the current market value of the instruments which are in a gain position. The maximum credit risk is presented without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Corporation and its subsidiaries would receive (or pay) to terminate all agreements at year-end. However, this does not represent a gain or loss to the Corporation as the hedged position is matched to certain of the Corporation's assets and liabilities. All counterparties are highly rated financial institutions on a diversified basis.

The fair value of derivative financial instruments are based on quoted market prices, when available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

15. CONTINGENT LIABILITIES

The Corporation's subsidiaries are subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the consolidated financial position of the Corporation.

In addition, at December 31, 1999:

- there are three proposed class actions against Great-West (one in each of British Columbia, Ontario and Quebec) and five proposed class actions against London Life (three in Ontario, and one in each of British Columbia and Quebec) related to the availability of policyholder dividends to pay future premiums. The courts have not yet decided whether any of these actions is appropriate for certification as a class action.
- a proposed class proceeding has been commenced in Ontario against Lifeco, Great-West, London Insurance Group and London Life regarding the participation of the London Life Participating Policyholder account in the financing of the acquisition of London Insurance Group in 1997 by Great-West. The court has not yet decided whether the proceeding is appropriate for class certification.

These actions are in their early stages and it is difficult to predict their outcome with certainty. However, based on information presently known, it is not expected that these actions will have a material adverse effect on the consolidated financial position of the Corporation.

16. SEGMENTED INFORMATION

The following strategic business units constitute the Corporation's reportable operating segments:

Great-West Lifeco Inc. offers, through Great-West and LIG in Canada and GWL&A in the United States, a wide range of life insurance, health insurance, retirement and investment products, as well as reinsurance and specialty general insurance products to individuals, businesses and other private and public organizations.

Investors Group Inc. offers a comprehensive package of financial planning services and investment products to its client base. Investors Group derives its revenues from a range of sources, but primarily from management fees, which are charged to its mutual funds for investment advisory and management services. Investors Group also earns revenue from fees charged to its mutual funds for administrative services.

Parjointco N.V. holds the Corporation's interest in Pargesa Holding S.A., a holding company which holds diversified interests in a limited number of major communications, specialty minerals, utility and energy companies, based in Europe.

Other includes revenues from non-strategic investments, gains and losses related to the holding of strategic assets and other head office activities as well as consolidation adjustments.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates the performance based on stand-alone operating segment net earnings adjusted, for example, for specific items arising from the consolidation process. Revenues and assets are attributed to geographic areas based on the point of origin of revenues and the location of assets.

16. SEGMENTED INFORMATION (CONTINUED)

Information on Profit Measure

December 31, 1999 (in millions of dollars)

	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
Revenues					
Premium income	8,526				8,526
Net investment income	3,580	121		47	3,748
Fee income	1,222	928			2,150
	13,328	1,049		47	14,424
Expenses					
Insurance claims	9,936				9,936
Commissions, other operating expenses	2,334	601		26	2,961
Interest expense		34		57	91
	12,270	635		83	12,988
	1,058	414		(36)	1,436
Share of earnings of affiliate			46		46
Other income – net			235	(13)	222
Earnings before income taxes and non-controlling interests	1,058	414	281	(49)	1,704
Income taxes	366	178		(9)	535
Non-controlling interests	281	72		(18)	335
Contribution to consolidated net earnings	411	164	281	(22)	834
Information on Asset Measure					
Total assets	53,256	1,812	1,251	328	56,647
Assets under administration	33,728	40,650			74,378

16. SEGMENTED INFORMATION (CONTINUED)

Information on Profit Measure

December 31, 1998 (in millions of dollars)

	LIFECO	INVESTORS	PARJOINTCO	OTHER	TOTAL
Revenues					
Premium income	9,237				9,237
Net investment income	3,516	119		37	3,672
Fee income	1,003	855			1,858
	13,756	974		37	14,767
Expenses					
Insurance claims	10,680				10,680
Commissions, other operating expenses	2,134	605		30	2,769
Interest expense		45		43	88
	12,814	650		73	13,537
	942	324		(36)	1,230
Share of earnings of affiliate			46		46
Other income – net			174	(1)	173
Earnings before income taxes and non-controlling interests	942	324	220	(37)	1,449
Income taxes	361	136		(14)	483
Non-controlling interests	245	56		(13)	288
Contribution to consolidated net earnings	336	132	220	(10)	678
Information on Asset Measure					
Total assets	54,725	1,799	1,240	269	58,033
Assets under administration	28,394	36,064			64,458

16. SEGMENTED INFORMATION (CONTINUED)

Geographic Information

(in millions of dollars)

	CANADA	UNITED STATES	EUROPE	TOTAL
[illegible]				
Revenues	9,333	5,091		14,424
Investment in affiliate, at equity			1,251	1,251
Goodwill	1,744			1,744
Total assets	34,417	20,979	1,251	56,647
Assets under administration	56,380	17,998		74,378
[illegible]				
Revenues	9,756	5,011		14,767
Investment in affiliate, at equity			1,240	1,240
Goodwill	1,710			1,710
Total assets	34,546	22,247	1,240	58,033
Assets under administration	49,023	15,435		64,458

17. SUBSEQUENT EVENTS

(a) In October 1999, GWL&A entered into a purchase and sale agreement with Allmerica Financial Corporation (Allmerica) to acquire, via assumption reinsurance, Allmerica's group life and health insurance business on March 1, 2000. GWL&A anticipates the purchase price to be approximately $50 million of which $36 million was due on March 1, 2000 with the remaining amount due March 1, 2001.

(b) Effective January 1, 2000, GWL&A will coinsure the majority of General American Life Insurance Company's (General American) group life and health insurance business. The agreement is expected to convert to an assumption reinsurance agreement by January 1, 2001, pending regulatory approval. GWL&A will assume approximately $216 million of policy reserves and miscellaneous liabilities in exchange for an equal amount of cash and other assets from General American.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF POWER FINANCIAL CORPORATION

We have audited the consolidated balance sheets of Power Financial Corporation as at December 31, 1999 and 1998 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles in Canada.

Montréal, Québec
March 31, 2000

Deloitte & Touche LLP

POWER FINANCIAL CORPORATION

FIVE-YEAR STATISTICAL SUMMARY

December 31	1999	1998	1997	1996	1995
			(in millions of dollars)		
Consolidated Balance Sheets					
Cash and temporary investments	1,622	1,670	1,577	946	741
Consolidated assets	56,647	58,033	54,992	31,289	30,688
Shareholders' equity	4,462	4,172	3,480	2,832	2,654
Consolidated assets and assets under administration	131,025	122,491	110,633	69,543	60,214
Consolidated Statements of Earnings					
Revenues					
Premium income	8,526	9,237	4,587	3,532	3,783
Investment income	3,748	3,672	2,335	2,148	2,181
Fee income	2,150	1,858	1,429	1,112	960
Expenses					
Paid or credited to policyholders	9,936	10,680	5,723	4,614	4,885
Operating expenses	2,961	2,769	1,802	1,465	1,346
Interest	91	88	75	91	116
	1,436	1,230	751	622	577
Share of earnings of affiliate	46	46	43	50	49
Other income – net	222	173	25	32	6
Income taxes	535	483	114	199	203
Non-controlling interests	335	288	102	130	120
Net earnings	834	678	603	375	309
			(in dollars)		
Per Share					
Operating earnings	1.68	1.37	1.12	0.95	0.84
Net earnings	2.32	1.87	1.70	1.05	0.86
Dividends	0.6025	0.5000	0.4400	0.3700	0.3125
Book value at year-end	11.28	10.45	8.38	7.43	6.94
Market Price					
High	35.65	37.50	25.13	12.88	8.57
Low	20.80	22.13	12.00	8.00	6.82
Year-end	24.00	34.00	25.00	12.20	8.38

Power Financial Corporation believes in the importance of good corporate governance and the central role played by directors in the governance process. The Board of Directors recognizes the utility of sharing this belief with its shareholders. The Board is responsible for, and takes this opportunity to expand on, its corporate governance philosophy and practices.

Power Financial is an international management and holding company. Power Corporation of Canada has controlled Power Financial since it was organized in 1984. Power Financial is not an operating company and over half of its interests are located outside Canada, specifically in the United States and Europe. These characteristics are important in any consideration of governance issues as they apply to the Corporation.

There exist many models of corporate ownership and governance, from widely held to closely held companies, with boards composed largely of "related" directors and boards composed almost entirely of "unrelated" directors. It is our belief that no single corporate governance model is superior or appropriate in all cases. The Board believes that the governance system in place at Power Financial is appropriate and effective and that there are in place appropriate structures and procedures to ensure its independence from management.

The Board and Board Committees

The directors supervise the management of the business and affairs of a corporation. In fulfilling that responsibility, the Power Financial Board appoints senior executive management, provides advice to management from time to time, and assesses the ongoing progress of the Corporation and its subsidiaries. The Board and its committees review corporate plans and objectives. The objective of the Directors in performing these functions is to enhance shareholder value while acting in the long-term best interests of the Corporation. The Board believes that its present size is appropriate for effective decision-making.

A number of our Directors are active through committees of the Board. There are four such committees of Directors: the Executive Committee, the Audit Committee, the Compensation Committee and the Committee responsible for administering the Employee Stock Option Plan. Committee membership is shown on page 109 of this annual report. The Board has the authority to establish additional committees of Directors and to determine their roles and responsibilities.

The Executive Committee meets when necessary in the interval between meetings of the full Board. It has all of the powers that, by law, may be delegated to it by the Board, but does not exercise those powers to make a significant decision that has not already been approved in principle by the full Board, except in a situation where immediate action is required. The activities and decisions of the Executive Committee are reported to the Board of Directors.

In the performance of its functions, the Audit Committee reviews with the Corporation's auditors the audited financial statements and reviews financial information to be included in public disclosure documents. It also reviews the nature and scope of the annual audit plan and makes a recommendation to the Board regarding the appointment of auditors. The Committee communicates directly and, from time to time, meets privately with the Corporation's auditors. The role and responsibilities of the Committee have been defined by the Board.

The Compensation Committee reviews and establishes the compensation of certain executive officers. In the performance of its functions, the Committee reviews the performance of executive officers and of the Corporation as a whole. It reviews, from time to time, the Corporation's compensation policy, its pension and retirement income policy and its benefits program. In the performance of its functions, the Committee consults with outside compensation experts. The Committee's role is more fully described in the Corporation's management proxy circular.

The Stock Option Plan Committee administers the Corporation's Employee Stock Option Plan.

Any board responsibility or authority not delegated to senior management or a Board committee remains with the full Board.

Composition of the Board and Board Committees

Nominees for election to the Board of Directors are chosen by the Board according to a variety of criteria including integrity and reputation, general knowledge and experience in a particular field of interest. We believe that a diversity of views and experiences enhances the ability of the Board, as a whole, to fulfill its responsibilities to the Corporation. Directors are not required to be specialists in the affairs of the Corporation or the industries in which it invests, but are expected to provide the Corporation with the benefit of their domestic or international business experience, their judgment and their vision. The Corporation provides an orientation program for newly elected directors. The Board does not have a Nominating Committee.

A majority of the Corporation's Directors are considered to be unrelated to Power Financial. In addition, a number of Directors are free from any interest in, or relationships with, either Power Financial or its controlling shareholder. In light of the obligations and duties falling upon directors, Power Financial does not believe that whether a director is related or unrelated is an essential criterion for effective board participation. All of the Corporation's Directors, whether related or not, bring to the Corporation an interest in and knowledge of the affairs of the Corporation and its affiliated companies, which is a benefit to Power Financial and its shareholders.

All the members of the Audit Committee, the Compensation Committee and the Committee responsible for administering the Employee Stock Option Plan are non-management Directors.

Committees may, at Power Financial's expense, retain such professional advisers as the Committees deem appropriate for the purpose of carrying out their duties and responsibilities.

Communications Policy

The Corporation has adopted policies respecting communications with its shareholders and others. Management is available to shareholders to respond to questions and concerns on a prompt basis, subject to the limitations imposed by law and the sensitivity of certain information relating to the Corporation. Members of management meet from time to time with institutional and other investors. The Corporation also communicates with its shareholders through a variety of other means, including its annual reports, quarterly reports and news releases. The Corporation maintains a website at: www.powerfinancial.com, updated with current corporate information and interlinked to the websites of group companies.

Statutory disclosure documents such as management information circulars and annual information forms are reviewed, and where required, approved by the Board. At the Corporation's annual meetings, an opportunity is afforded to shareholders to question senior management. The Board believes that the Corporation's communications with its shareholders and the avenues available for shareholders and others interested in the Corporation to make inquiries about the Corporation are responsive and effective.

BOARD OF DIRECTORS

ANDRÉ BISSON, O.C. (2)
CHANCELLOR
UNIVERSITÉ DE MONTRÉAL

JAMES W. BURNS, O.C. (1)(4)
DEPUTY CHAIRMAN,
POWER CORPORATION
OF CANADA

ANDRÉ DESMARAIS
DEPUTY CHAIRMAN OF THE CORPORATION
AND PRESIDENT AND
CO-CHIEF EXECUTIVE OFFICER,
POWER CORPORATION
OF CANADA

PAUL DESMARAIS, P.C., C.C. (1)(3)(4)
CHAIRMAN OF THE
EXECUTIVE COMMITTEE,
POWER CORPORATION
OF CANADA

PAUL DESMARAIS, JR.
CHAIRMAN OF THE
CORPORATION AND CHAIRMAN
AND CO-CHIEF EXECUTIVE OFFICER,
POWER CORPORATION
OF CANADA

GÉRALD FRÈRE (3)
MANAGING DIRECTOR,
FRÈRE-BOURGEOIS S.A.

ROBERT GRATTON (1)
PRESIDENT AND CHIEF
EXECUTIVE OFFICER
OF THE CORPORATION

AIMERY LANGLOIS-MEURINNE
MANAGING DIRECTOR,
PARGESA HOLDING S.A.
MANAGING DIRECTOR, ORIOR HOLDING S.A.
CHAIRMAN OF THE SUPERVISORY
BOARD, IMERYS S.A.

**THE RIGHT HONOURABLE
DONALD F. MAZANKOWSKI, P.C.** (1)(4)
COMPANY DIRECTOR

JERRY E.A. NICKERSON
CHAIRMAN OF THE BOARD,
H.B. NICKERSON & SONS LIMITED

SYLVIA OSTRY, C.C. (2)
DISTINGUISHED RESEARCH FELLOW,
CENTRE FOR INTERNATIONAL STUDIES,
UNIVERSITY OF TORONTO

P. MICHAEL PITFIELD, P.C., Q.C. (1)
VICE-CHAIRMAN,
POWER CORPORATION
OF CANADA

MICHEL PLESSIS-BÉLAIR, FCA
EXECUTIVE VICE-PRESIDENT AND CHIEF
FINANCIAL OFFICER OF THE CORPORATION
AND VICE-CHAIRMAN
AND CHIEF FINANCIAL OFFICER,
POWER CORPORATION OF CANADA

RAYMOND ROYER, O.C., FCA (2)(3)(4)
PRESIDENT AND CHIEF
EXECUTIVE OFFICER,
DOMTAR INC.

GUY ST-GERMAIN, C.M. (3)
PRESIDENT,
PLACEMENTS LAUGERMA INC.

EMŐKE J.E. SZATHMÁRY, PH.D. (2)
PRESIDENT AND VICE-CHANCELLOR,
UNIVERSITY OF MANITOBA

OFFICERS

PAUL DESMARAIS, JR.
CHAIRMAN
OF THE BOARD

ROBERT GRATTON
PRESIDENT AND
CHIEF EXECUTIVE OFFICER

ANDRÉ DESMARAIS
DEPUTY CHAIRMAN

MICHEL PLESSIS-BÉLAIR, FCA
EXECUTIVE VICE-PRESIDENT
AND CHIEF FINANCIAL OFFICER

ARNAUD VIAL
SENIOR VICE-PPESIDENT,
FINANCE

JEAN-GUY GOURDEAU
VICE-PRESIDENT

EDWARD JOHNSON
VICE-PRESIDENT,
GENERAL COUNSEL
AND SECRETARY

JOCELYN LEFEBVRE, C.A.
MANAGING DIRECTOR,
POWER FINANCIAL EUROPE B.V.

DENIS LE VASSEUR, C.A.
CONTROLLER

MONIQUE LÉTOURNEAU, CFA
TREASURER

JEANNINE ROBITAILLE
ASSISTANT SECRETARY

(1) Member of the Executive Committee (2) Member of the Audit Committee
(3) Member of the Compensation Committee (4) Member of the Employee Stock Option Plan Committee

CORPORATE INFORMATION

Additional copies of this annual report, as well as copies of the annual reports of Great-West Lifeco Inc., The Great-West Life Assurance Company, London Insurance Group Inc., London Life Insurance Company, Investors Group Inc., and Pargesa Holding S.A. are available from: The Secretary, Power Financial Corporation, 751 Victoria Square, Montréal, Québec, Canada H2Y 2J3 or Suite 2600, Richardson Building, 1 Lombard Place, Winnipeg, Manitoba, Canada R3B 0X5.

TRANSFER AGENT AND REGISTRAR

Montreal Trust Company
Place Montréal Trust, 6th Floor, 1800 McGill College Avenue,
Montréal, Québec, Canada H3A 3K9, (514) 982-7555
8th Floor, 151 Front Street West, Toronto, Ontario, Canada M5J 2N1, (416) 981-9633
221 Portage Avenue, Winnipeg, Manitoba, Canada R3B 2A6, (204) 943-0451

STOCK LISTINGS

COMMON SHARES
The Toronto Stock Exchange
The Winnipeg Stock Exchange

FIRST PREFERRED SHARES SERIES A
The Toronto Stock Exchange

FIRST PREFERRED SHARES SERIES B
The Toronto Stock Exchange
The Winnipeg Stock Exchange

FIRST PREFERRED SHARES SERIES C
The Toronto Stock Exchange
The Winnipeg Stock Exchange

FIRST PREFERRED SHARES SERIES D
The Toronto Stock Exchange
The Winnipeg Stock Exchange

Shareholders with questions relating to the payment of dividends, change of address and share certificates should contact the Transfer Agent.

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au secrétaire
CORPORATION FINANCIÈRE POWER
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WEBSITE

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